UNITED STATES
HOUSE OF
REPRESENTATIVES

MONEY TRUST
INVESTIGATION
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MONEY TRUST INVESTIGATION

INVESTIGATION

OF

FINANCIAL AND MONETARY CONDITIONS IN THE UNITED STATES

UNDER

HOUSE RESOLUTIONS NOS. 429 AND 504

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON BANKING AND CURRENCY

PART 13

WASHINGTON
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SUBCOMMITTEE OF THE COMMITTEE ON BANKING AND CURRENCY.

HOUSE OF REPRESENTATIVES.

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MONEY TRUST INVESTIGATION.

SUBCOMMITTEE OF THE
COMMITTEE ON BANKING AND CURRENCY,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Tuesday, December 17, 1912.

The subcommittee met at 11 o'clock a. m.

Present: Messrs. Pujo (chairman), Stephens, Daugherty, Byrnes, Neeley, McMorran, Hayes, and Heald.

Present also: Samuel Untermyer, Esq., of New York City, counsel for the committee.

TESTIMONY OF JOHN ASPEGREN.

The witness was sworn by the chairman.

Mr. UNTERMYER. Where do you live?

Mr. ASPEGREN. New York.

Mr. UNTERMYER. What is your occupation?

Mr. ASPEGREN. Manufacturer.

Mr. UNTERMYER. Where is your place of business?

Mr. ASPEGREN. The produce exchange.

Mr. UNTERMYER. Are you a member of the New York Produce Exchange?

Mr. ASPEGREN. I am.

Mr. UNTERMYER. How long have you been a member?

Mr. ASPEGREN. About 12 years.

Mr. UNTERMYER. Have you been president of the exchange?

Mr. ASPEGREN. I am president now.

Mr. UNTERMYER. How long have you been president?

Mr. ASPEGREN. About six months.

Mr. UNTERMYER. Your exchange is incorporated under the laws of the State of New York, is it not?

Mr. ASPEGREN. Yes, sir.

Mr. UNTERMYER. Do you find any difficulty in doing business as an incorporated exchange?

Mr. ASPEGREN. No; we do not.

Mr. UNTERMYER. Do you find it handicaps you in any of your legitimate operations?

Mr. ASPEGREN. That depends on what you mean by "legitimate operations."

Mr. UNTERMYER. I assume your operations are all legitimate.

Mr. ASPEGREN. That is why I asked the question.

Mr. UNTERMYER. It does not hamper you in the pursuit of any of the legitimate operations of the exchange, does it?

Mr. ASPEGREN. It may bring out lawsuits. I think we have had some.

Mr. UNTERMYER. You mean it gives a remedy to people who claim they are injured by your acts?

Mr. ASPEGREN. That is exactly it.

Mr. UNTERMYER. There is nothing very oppressive about that, is there?

Mr. ASPEGREN. It may mean a lot of litigation.

Mr. UNTERMYER. You mean it may mean that people have a right to go into court when they think they have a grievance?

Mr. ASPEGREN. Yes, sir.

Mr. UNTERMYER. That you do not consider an unjust handicap, do you?

Mr. ASPEGREN. I do not consider it an unjust handicap, but I mean it is to some extent a hardship, when you feel you are right, to devote your time and work to defending lawsuits.

Mr. UNTERMYER. That happens to individuals, too, does it not?

Mr. ASPEGREN. Indeed it does.

Mr. UNTERMYER. So that the incorporation of the exchange you would not regard as an unjust handicap, would you?

Mr. ASPEGREN. Not unjust. I would consider it a handicap; not an unjust handicap.

Mr. UNTERMYER. In the respect in which you have stated?

Mr. ASPEGREN. That is correct.

Mr. UNTERMYER. Do you remember the occasion when the produce exchange considered engaging in the listing and quotation and sale of securities?

Mr. ASPEGREN. I do.

Mr. UNTERMYER. In what year was that?

Mr. ASPEGREN. We did not consider it. We did engage in it.

Mr. UNTERMYER. What year was that?

Mr. ASPEGREN. I think it was around 1907.

Mr. UNTERMYER. Did you list any securities then?

Mr. ASPEGREN. We did.

Mr. UNTERMYER. What securities were then listed?

Mr. ASPEGREN. I can not give them to you offhand.

Mr. UNTERMYER. Were there quite a number of them?

Mr. ASPEGREN. Quite a number; yes.

Mr. UNTERMYER. Were you one of the governors at the time?

Mr. ASPEGREN. Not in 1907; no.

Mr. UNTERMYER. You were familiar with what took place at the time?

Mr. ASPEGREN. I think I was; yes.

Mr. UNTERMYER. Did you list certain securities that were on the New York Stock Exchange list?

Mr. ASPEGREN. I do not believe, Mr. Untermyer, we listed any that were on the New York Stock Exchange list, but I can not tell you that offhand.

Mr. UNTERMYER. Your recollection is that you listed securities other than those on the New York Stock Exchange list?

Mr. ASPEGREN. Yes.

Mr. UNTERMYER. Did that create any difficulty with the stock exchange?

Mr. ASPEGREN. No; it did not. We thought it would, but it did not.

Mr. UNTERMYER. What happened?

Mr. ASPEGREN. We traded in them.
Mr. UNTERMYER. In what security, for instance, did you trade?
Mr. ASPEGREN. In any number of them, Mr. Untermyer.
Mr. UNTERMYER. Name any one.
Mr. ASPEGREN. I could not give it to you offhand.
Mr. UNTERMYER. You can not name one?
Mr. ASPEGREN. I can not, because I did not do any trading myself and I was not interested in it.
Mr. UNTERMYER. The fact is, you did discontinue it?
Mr. ASPEGREN. Yes.
Mr. UNTERMYER. How soon?
Mr. ASPEGREN. About three years later.
Mr. UNTERMYER. Meantime were there conferences between the governors of the stock exchange and governors of the produce exchange?
Mr. ASPEGREN. Not with the governors.
Mr. UNTERMYER. With whom were the conferences—with the law committees?
Mr. ASPEGREN. No.
Mr. UNTERMYER. With the committee on stock list?
Mr. ASPEGREN. No; I think with the general committee on securities. I think that the general committee on securities had some conferences.
Mr. UNTERMYER. With your committee?
Mr. ASPEGREN. No; that the general committee on securities of our exchange had some conferences with some of the New York Stock Exchange people.
Mr. UNTERMYER. Did that result in your abandoning the list?
Mr. ASPEGREN. It did not.
Mr. UNTERMYER. You did abandon the list?
Mr. ASPEGREN. We did.
Mr. UNTERMYER. How soon after this conference?
Mr. ASPEGREN. I can not tell you when these conferences were held.
Mr. UNTERMYER. Do you know what took place at that time? Were you present?
Mr. ASPEGREN. I was not.
Mr. UNTERMYER. Can you tell us approximately how soon after these conferences you withdrew and abandoned the sale of securities on your exchange?
Mr. ASPEGREN. I can not, because I can not tell just when the conferences were.
Mr. UNTERMYER. In what year?
Mr. ASPEGREN. I can not even tell you that. There may have been one and there may have been several.
Mr. UNTERMYER. Do you know why the stock exchange should have interested itself in conferences with your exchange on the subject of your putting securities on the list?
Mr. ASPEGREN. I do not believe the stock exchange interested itself in it, Mr. Untermyer.
Mr. UNTERMYER. You say they had a committee to meet your committee?
Mr. ASPEGREN. No; I do not think I said that, if you will look at the record. I said I believed our general committee on securities had a conference with several of the people of the stock exchange.

Mr. UNTERMYER. On what subject?

Mr. ASPEGREN. On the subject of stock exchange list.

Mr. UNTERMYER. You mean on the subject of whether the securities should continue to be listed by your exchange or not?

Mr. ASPEGREN. No; not on that subject at all.

Mr. UNTERMYER. Were you there?

Mr. ASPEGREN. I was not.

Mr. UNTERMYER. You can not give us the year the conference took place or the year when you withdrew the securities from your list?

Mr. ASPEGREN. Yes; I can give the year we withdrew; 1910 was the year.

Mr. UNTERMYER. Were the conferences in that same year?

Mr. ASPEGREN. I can not tell you about that. It is a fact they were some time previous to that.

Mr. UNTERMYER. Was it the same year, I ask you?

Mr. ASPEGREN. I answered that question that they were some time previous to that, but I can not tell you the exact date or year.

Mr. UNTERMYER. I asked whether they were in the year 1910.

Mr. ASPEGREN. That is the answer I gave you. I answered your question about that.

Mr. UNTERMYER. Were they or not in the same year?

Mr. ASPEGREN. I have answered you that I can not tell whether they were in that year or the year previous.

Mr. UNTERMYER. That is all.

Witness excused.

Mr. UNTERMYER. I will call Mr. Lewisohn back again.

TESTIMONY OF FREDERICK LEWISOHN—Continued.

Mr. MARTIN VOGEL. May I make a statement first, Mr. Chairman, before you examine Mr. Lewisohn?

The CHAIRMAN. The statement you desire to make is as counsel for the witness, to whom the matter was referred as to whether or not he would answer?

Mr. VOGEL. Yes.

The CHAIRMAN. The committee think you should have the right to make a brief statement pertaining to that issue, but not an argument.

Mr. VOGEL. No, not an argument. I will confine myself simply to the situation.

I desire to say, Mr. Chairman and gentlemen of the committee, that Mr. Lewisohn has the utmost respect for this committee, but he feels he is thoroughly justified in refusing to produce before this committee the papers which show his private profits on transactions of this character, and he still feels so, and he maintains that attitude as a question of principle. But inasmuch as the idea has gone forward that he had some ulterior motive, or there was something in these papers he did not want the public or the investors to know, he thinks it is his duty to come forward and produce those papers; and as his counsel I have advised him to do so.

Mr. UNTERMYER. Will you be good enough, Mr. Lewisohn, to now produce the papers that were asked of you yesterday, and with respect to which you asked an opportunity to consult counsel before determining whether you would produce them?

Mr. LEWISOHN. Yes.
Mr. UNTERMYER. In answer to the question, the witness produces——
Mr. LEWISOHN. That [indicating] is the syndicate agreement, and here [indicating] is the participation.
Mr. UNTERMYER. The syndicate agreement dated September 21, 1912, with William Salomon & Co. and Hallgarten & Co., syndicate managers. This may be marked as an exhibit.

The syndicate agreement referred to was marked "Exhibit No. 131, December 17, 1912," and is printed in full at the end of this day's proceedings.

Mr. UNTERMYER. The witness also produces a letter of participation, or allotment, which I will ask to have marked as an exhibit.

The letter of participation or allotment was marked "Exhibit No. 132, December 17, 1912," and is printed in full at the end of this day's proceedings.

Mr. UNTERMYER. I see from this syndicate agreement that the authorized capital of the company is $35,000,000, $17,500,000 of which was of each class of stock, of which $12,500,000 of preferred stock was issued, and $15,000,000 of common stock. That is right, is it?
Mr. LEWISOHN. That is my understanding.
Mr. UNTERMYER. This syndicate operation represented by Exhibit 131 was for five millions of preferred stock and two and one-half millions of common stock, was it not?
Mr. LEWISOHN. Yes.
Mr. UNTERMYER. Then was there another like arrangement, applicable to England or Europe, in the same amount?
Mr. LEWISOHN. I believe there was; yes.
Mr. UNTERMYER. This Exhibit 131 does not state the names of subscribers to this $5,000,000 syndicate, except your own firm.
Mr. LEWISOHN. Yes; that is the only one I have with a name on.
Mr. UNTERMYER. Have you any list of other subscribers?
Mr. LEWISOHN. No.
Mr. UNTERMYER. Were there any corporations, or officers of banks or corporations, members of the syndicate?
Mr. LEWISOHN. Not to my knowledge.
Mr. UNTERMYER. Do you know whether there were or not?
Mr. LEWISOHN. I do not know.
Mr. UNTERMYER. Do you know whether any national banks were members of the syndicate?
Mr. LEWISOHN. I do not know.
Mr. UNTERMYER. Or their officers?
Mr. LEWISOHN. I do not know.
Mr. UNTERMYER. You can not tell?
Mr. LEWISOHN. No.
Mr. UNTERMYER. Your firm had charge of the operations of this syndicate, had it not—the stock market operations?
Mr. LEWISOHN. No. We offered this stock for account of the syndicate, to investors, as explained yesterday. There was not any market operation.

Mr. UNTERMYER. Having offered this stock to investors in the proportion of 50 per cent bonus of the common stock with the preferred—that was the ratio, was it not?

Mr. LEWISOHN. No; we offered the investors 100 preferred at 91½ and 50 common at 40.

Mr. UNTERMYER. So the investor paid $111.50 for a share of preferred stock and one-half share of common stock; is that right?

Mr. LEWISOHN. That is right.

Mr. UNTERMYER. Having made that offer, did you take charge of the stock belonging to these investors, or were they selling it themselves?

Mr. LEWISOHN. They kept control of their securities. We sold it to them.

Mr. UNTERMYER. I understand that, but having sold it to them, you proceeded to sell it for them, did you not?

Mr. LEWISOHN. No.

Mr. UNTERMYER. What did you do for them in connection with the stock after having sold it to them?

Mr. LEWISOHN. We did nothing for them.

Mr. UNTERMYER. On whose behalf did you make this market operation to which you testified yesterday?

Mr. LEWISOHN. We made a market so that these investors would have an opportunity to increase their holdings, or decrease, as they saw fit.

Mr. UNTERMYER. Where did you get the stock with which to make the market?

Mr. LEWISOHN. We had additional stock.

Mr. UNTERMYER. Do you mean it was your profit stock?

Mr. LEWISOHN. We had the profit stock to sell, and we secured additional stock from the——

Mr. UNTERMYER. Was this market operation made on behalf of yourselves and the syndicate, Salomon & Co. and Hallgarten & Co.?

Mr. LEWISOHN. It was made for the account of the bankers; yes, sir.

Mr. UNTERMYER. Was it made for the joint account of you three?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. You dealt in and out of the stock for the joint account of you three?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. And made a market for this stock?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. This agreement is dated September 21, 1912. Did you first make a market on the curb?

Mr. LEWISOHN. No.

Mr. UNTERMYER. Did you not sell and buy stock on the curb before it was listed, deliverable when issued?

Mr. LEWISOHN. There was a demand for securities——

Mr. UNTERMYER. I did not ask that.

Mr. LEWISOHN. We did not make any market; no.

Mr. UNTERMYER. You bought and sold it, did you not, on the curb?

Mr. LEWISOHN. We sold on the curb.

Mr. UNTERMYER. Did you buy on the curb?

Mr. LEWISOHN. I do not know. I am not familiar enough with that transaction.

Mr. UNTERMYER. Did you not conduct these operations?

Mr. LEWISOHN. I would have to refer to my accounts, Mr. Untermyer. We did not buy on the curb; we only sold stock on the curb.

Mr. UNTERMYER. Who told you that?

Mr. LEWISOHN. A gentleman in my office, who is associated with me.

Mr. UNTERMYER. What is his name?

Mr. LEWISOHN. Mr. Feder.

Mr. UNTERMYER. Is he here?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. And he has made that statement to you while you have been testifying?

Mr. LEWISOHN. Yes; I asked him.

Mr. UNTERMYER. Then he is familiar with the transportation?

Mr. LEWISOHN. He is familiar with the transaction.

Mr. UNTERMYER. And knows of the curb transactions and market transactions?

Mr. LEWISOHN. We brought a statement of that.

Mr. UNTERMYER. Do you not think we had better call him on the stand?

Mr. LEWISOHN. If you care to go into the details.

Mr. UNTERMYER. Have you a statement here of the curb transactions?

Mr. LEWISOHN. Yes. I have a statement here that just came down from New York.

Mr. UNTERMYER. Have you a statement of the curb transactions?

Mr. LEWISOHN. I will have to ask him.

Mr. UNTERMYER. No; if you do not know, say so.

Mr. LEWISOHN. I do not know.

Mr. UNTERMYER. He made up the statements you have?

Mr. LEWISOHN. He did not make them up. He brought them along. Some of the bookkeepers made them up.

Mr. UNTERMYER. We will put him on and examine him then. When this stock was first put on the curb, at what price was it put on?

Mr. LEWISOHN. I am not familiar enough to remember.

Mr. UNTERMYER. Were you in the city during the time?

Mr. LEWISOHN. No; I was in the country most of the time.

Mr. UNTERMYER. In Octber?

Mr. LEWISOHN. Yes; down in Jersey.

Mr. UNTERMYER. And coming to town every day?

Mr. LEWISOHN. No; not every day.

Mr. UNTERMYER. Every other day?

Mr. LEWISOHN. A few times a week.

Mr. UNTERMYER. Were you giving orders in the stock, buying and selling orders, and conducting this operation?

Mr. LEWISOHN. No; I was not.

Mr. UNTERMYER. Who was conducting it, if you were not?

Mr. LEWISOHN. It was conducted in the office.

Mr. UNTERMYER. In your office?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. It must have been under the supervision of somebody there, was it not?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. Under whose supervision was it?

Mr. LEWISOHN. It was under the supervision of the syndicate managers in consultation with some of our firm.

Mr. UNTERMYER. Your firm received commissions on the entire market operation, did they not?

Mr. LEWISOHN. Only commissions allotted by the rules of the exchange.

Mr. UNTERMYER. I did not ask you that. You received your one-eighth from the buying and selling orders, did you not?

Mr. LEWISOHN. Yes; I presume we did.

Mr. UNTERMYER. And you dealt in some hundreds of thousands of shares, did you not?

Mr. LEWISOHN. I do not know the total transaction.

Mr. UNTERMYER. You have no idea? That operation must have been under the direction of somebody in your office, must it not?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. Who?

Mr. LEWISOHN. Mr. Feder.

Mr. UNTERMYER. Is he an employee of yours?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. Did you have anything to do with directing him?

Mr. LEWISOHN. He would consult with me occasionally.

Mr. UNTERMYER. Would he consult with you as to the way in which you should distribute the orders?

Mr. LEWISOHN. No.

Mr. UNTERMYER. Or the brokers to whom they should be distributed?

Mr. LEWISOHN. No.

Mr. UNTERMYER. He attended to that himself?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. He distributed all the orders?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. The buying and selling?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. But he did not ask your advice or instructions as to what broker should be employed?

Mr. LEWISOHN. No; he did not.

Mr. UNTERMYER. Did your firm do any buying or selling directly, or was it all done through orders distributed to other houses?

Mr. LEWISOHN. We have no representative on the stock exchange. It was all given out to——

Mr. UNTERMYER. None of the members of your firm belong to the stock exchange?

Mr. LEWISOHN. Oh, yes; my brother.

Mr. UNTERMYER. Which member belongs?

Mr. LEWISOHN. My brother.

Mr. UNTERMYER. Your brother Walter?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. What do you mean by saying you had no representative on the stock exchange?

Mr. LEWISOHN. On the floor of the stock exchange.

Mr. UNTERMYER. Then you gave your orders out through a floor operator, did you?

Mr. LEWISOHN. Through brokers that are represented on the floor.

Mr. UNTERMYER. Is that what you call $2 business?

Mr. LEWISOHN. That is called $3\frac{1}{8}$ business.

Mr. UNTERMYER. As against the full commission of $12\frac{1}{2}$?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. That is, the floor broker gets $3\frac{1}{2}$ cents a share?

Mr. LEWISOHN. $3.12½.

Mr. UNTERMYER. $3.12½ on 100 shares, whereas in dealing with a stranger he would get $12.50?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. That is, it is $3.12½?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. Was there a specialist in this stock?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. Who was it?

Mr. LEWISOHN. D. Y. Frost.

Mr. UNTERMYER. Who made him specialist in the stock?

Mr. LEWISOHN. The committee on stock list.

Mr. UNTERMYER. When the stock is listed on the exchange does the committee on stock list of the exchange designate who shall be the specialist in that stock?

Mr. LEWISOHN. No.

Mr. UNTERMYER. Or do the people who have the stock to be dealt in determine who shall be the specialist?

Mr. LEWISOHN. I believe it is done by application of the members to become a specialist.

Mr. UNTERMYER. Mr. Frost applied to become a specialist, did he?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. That was after you had employed him, was it not?

Mr. LEWISOHN. We had been employing him for years.

Mr. UNTERMYER. That was after you had employed him and told him you wanted him to handle this security?

Mr. LEWISOHN. No; we gave him no specific instructions as to the handling of this security.

Mr. UNTERMYER. Your orders were not given out through him, were they?

Mr. LEWISOHN. Some orders; he was given some.

Mr. UNTERMYER. How were the bulk of them given out?

Mr. LEWISOHN. They were distributed to various brokers.

Mr. UNTERMYER. Buying and selling orders; to how many brokers in a day?

Mr. LEWISOHN. I am not familiar enough. I would have to confer, because I did not handle that.

Mr. UNTERMYER. You have hesitated, Mr. Lewisohn, about disclosing the amount of this stock that was listed on the exchange that represented the profits of yourself and your associates. Do you regard that as private business?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. Where a security is listed on the exchange, do you not think that the public is entitled to know what proportion of that security thus issued represents profits and commissions of bank-

ers and brokers and intermediaries and what proportion represents the real selling price that the vendor receives for his property?

Mr. LEWISOHN. I see no reason why they should not know that.

Mr. UNTERMYER. Do you not think that is a very important fact that ought to be known to the public when a stock is listed for distribution all over the country?

Mr. LEWISOHN. I have heard that it has been done in other countries.

Mr. UNTERMYER. Do you not know that this is the only civilized country on the face of the earth in which a stock can be listed on an open exchange, for distribution all over the country, without disclosing openly and publicly all the profits and commissions that the bankers and brokers and intermediaries in the transaction received?

Mr. LEWISOHN. I knew it was done in England, but I do not know about the other countries.

Mr. UNTERMYER. Do you not know that that rule is still more rigid in Germany and France?

Mr. LEWISOHN. I did not know about that.

Mr. UNTERMYER. You know about business in England?

Mr. LEWISOHN. Yes; in a general way.

Mr. UNTERMYER. And do you not know that in England the company has to lodge with the public authority at Somerset House in London all the contracts of bankers, brokers, and intermediaries, showing every profit from the original seller down to the banker who issues the stock?

Mr. LEWISOHN. Yes; I knew that.

Mr. UNTERMYER. And you think that would be a very wholesome thing to require in this country, do you not?

Mr. LEWISOHN. Yes; I see no reason that they——

Mr. UNTERMYER. Then you do not mean to say that you regard the question of the profits of yourself and your associates as private business, do you, since you admit that that is a wise thing and ought to be done for the public protection?

Mr. LEWISOHN. Well, it has never been done before in this country.

Mr. UNTERMYER. Oh, I see. Your idea is that so long as the law does not require you to do it it should be looked upon as private business?

Mr. LEWISOHN. It has always been considered that way.

Mr. UNTERMYER. But there is no other place you know of in which it has been so considered?

Mr. LEWISOHN. I only know about the English conditions.

Mr. UNTERMYER. You do not think that it ought to be so considered?

Mr. LEWISOHN. I see no reason, if the people wish it, that a law should not be enacted to give them the facts.

Mr. UNTERMYER. Would not such a law, if enacted, enable anybody who wanted to buy a security on the list to go to the place where the agreements are lodged and find out how much of it is wind and water and how much of it represents real stuff?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. It would have a tendency to keep down exorbitant commissions, would it not?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. Would it not also have a tendency to keep capitalization within bounds?

Mr. LEWISOHN. Yes; I should think it would.

Mr. UNTERMYER. With your familiarity with stock exchange business and transactions in New York, does any reason occur to you why the stock exchange should not be required, before listing a stock, to have deposited either with it or with some public authority, or with a trust company, a statement showing all the contracts for intermediary profits?

Mr. LEWISOHN. I see no reason why that should not be done.

Mr. UNTERMYER. But it never has been done, has it?

Mr. LEWISOHN. No.

Mr. UNTERMYER. The applications for listing on the stock exchange gives no idea of the secret or intermediate profits, do they?

Mr. LEWISOHN. No; they do not.

Mr. UNTERMYER. And it has never been exacted, so far as you know, has it?

Mr. LEWISOHN. No.

Mr. UNTERMYER. Now, returning to this transaction, did this buying syndicate, composed of Messrs. Salomon, Hallgarten, and yourselves, pay for this stock before or after forming the syndicate to which they in turn sold the stock?

Mr. LEWISOHN. Paid for it before.

Mr. UNTERMYER. In other words, they paid in full before the 21st of September, 1912, did they?

Mr. LEWISOHN. They paid in full. I do not know the date.

Mr. UNTERMYER. The date is important in that connection.

Mr. LEWISOHN. I should think it would show in the papers that were brought down from the office.

Mr. UNTERMYER. Will you look at them and see? Did the banking syndicate pay in full before the date of that agreement, or did they pay after the underwriters to whom they farmed out or sublet the underwriting had paid the bank?

Mr. LEWISOHN. I can not find any statement as to the date.

Mr. UNTERMYER. Does your assistant know about that?

Mr. LEWISOHN. I will ask him.

Mr. UNTERMYER. If you do not know, never mind. In selling securiteis such as these, or any securities that are listed, in your judgment is not the public entitled to the actual values as fixed by fair and open conpetition, and not by manipulations?

Mr. LEWISOHN. Yes, they are.

Mr. UNTERMYER. Do you see any difference, and if so what, between selling stock to the public in connection with manipulated operations in the stock, and selling furniture or jewelry at a mock auction, and if so, I wish you would explain what the difference is between the two processes.

Mr. LEWISOHN. I will be glad to give that to the committee.

Mr. UNTERMYER. What?

Mr. LEWISOHN. I will be glad to give my opinion on that, after consideration, to the committee.

Mr. UNTERMYER. Can you not tell us what the difference is now, if any?

Mr. LEWISOHN. I would like time to think over that question.

Mr. UNTERMYER. Do you at the moment see any difference between the two processes?

Mr. LEWISOHN. Well, I prefer to think that over before I answer it.

Mr. UNTERMYER. How long a time would you like for the purpose?

Mr. LEWISOHN. Any time. I will send it to you in a day or two.

Mr. UNTERMYER. Send it in a day or two? Well, all right. You mean that you will tell us in a day or two whether you can see any difference between them? [After a pause.] Is it essential to an operation such as this in which you have been engaged in the California Petroleum Co., that the stock should be acceptable as collateral in the banks?

Mr. LEWISOHN. Not necessarily.

Mr. UNTERMYER. How can people speculate in it unless it is acceptable as collateral; unless they can borrow on it?

Mr. LEWISOHN. They can buy the shares.

Mr. UNTERMYER. But how can they speculate in them unless they can borrow on them; unless the banks will accept them as good collateral?

Mr. LEWISOHN. They would have to get loans on the security in order to be able to buy them in that manner.

Mr. UNTERMYER. Yes, of course. You realize that in this particular security which the committee has selected, because it is the latest security on the list, admitted only in October of this year, there were sales of 342,000 shares within the first month after it was listed, with a listed share capital of only 121,000 shares; so that the stock was sold three and a half times over in one month. You realize, do you not, that transactions of that kind are necessarily speculative?

Mr. LEWISOHN. Yes, sir.

Mr. UNTERMYER. The exact figures are 362,270 shares between the 3d of October and the end of October; and shares listed, 105,729. So that the stock was sold three and a half times over in less than a month, was it not?

Mr. LEWISOHN. Well, there was transactions, yes—the stock was sold.

Mr. UNTERMYER. It had to be sold that number of times, did it not, in order to have that number of transactions?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. Each one of those figures, of 362,270, represents a sale and a purchase, does it not; a completed transaction?

Mr. LEWISOHN. Yes; the transaction is just a sale.

Mr. UNTERMYER. So that the stock was bought and sold between the 3d of October and the end of October a little over three and a half times. Have you any idea of what proportion of those transactions would be investment dealings?

Mr. LEWISOHN. No; I have not.

Mr. UNTERMYER. There were 92,275 shares transferred on the books during that time. Would they be investment dealings, do you think?

Mr. LEWISOHN. A great proportion of them.

Mr. UNTERMYER. A part of them would, would they not?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. Would not some of them, however, represent the transfers from one stock exchange house into the name of another stock exchange house that had bought them for a client?

Mr. LEWISOHN. Yes; buying and reselling. There were constant transfers.

Mr. UNTERMYER. What proportion of the 92,275 shares transferred would represent investment buying and what proportion would represent speculative buying and the transfer from one brokerage house to another on the books?

Mr. LEWISOHN. That would be very hard to figure out.

Mr. UNTERMYER. What banks were taking this stock as collateral during that time?

Mr. LEWISOHN. I do not know.

Mr. UNTERMYER. You know nothing about it?

Mr. LEWISOHN. No, sir.

Mr. UNTERMYER. You could not give us any idea?

Mr. LEWISOHN. I could not; no, sir.

Mr. UNTERMYER. You were conducting the operations?

Mr. LEWISOHN. We were, in conjunction with the others.

Mr. UNTERMYER. Is it a usual thing for national banks to accept as collateral for loans a perfectly new security as soon as it is listed?

Mr. LEWISOHN. If they feel they have ascertained the value of the security.

Mr. UNTERMYER. Or if they have an interest in it.

Mr. LEWISOHN. No, sir.

Mr. UNTERMYER. You can not tell me what interest the national banks had in this syndicate, can you?

Mr. LEWISOHN. No; I do not know.

Mr. UNTERMYER. Who could tell us that?

Mr. LEWISOHN. I do not know.

Mr. UNTERMYER. Could Mr. George Henry, of Salomon & Co., tell us that?

Mr. LEWISOHN. I do not know.

Mr. UNTERMYER. But, Mr. Lewisohn, somebody must know who were your syndicate underwriters. Who would know who the underwriters were? To whom were the moneys paid by the underwriters?

Mr. LEWISOHN. To the syndicate manager.

Mr. UNTERMYER. Which of the banking houses was treasurer for the purpose of receiving the underwriting payments?

Mr. LEWISOHN. I believe it was conducted jointly by Hallgarten & Co. and Salomon & Co.

Mr. UNTERMYER. Who took the money from the underwriters?

Mr. LEWISOHN. I am not familiar with the underwriting.

Mr. UNTERMYER. You were an underwriter?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. To whom did your firm pay its money?

Mr. LEWISOHN. I would have to refer to our accounts to find out.

Mr. UNTERMYER. I think that is all, unless there is something you would like to say, or some suggestion that your counsel would like to make to us of something to ask you. I would be glad to put any questions desired, and hear any explanation you would like to make.

Mr. LEWISOHN. I believe there was something.

Mr. UNTERMYER. I believe I do want to ask you something more. Did you want to say something?

Mr. LEWISOHN. I wanted to make a statement regarding something yesterday.

Mr. UNTERMYER. The witness desires to put this statement in the record:

The California Petroleum Co. (Ltd.), is not engaged in interstate commerce. It is a holding company and not an operating company. It holds the stocks of the Ameri-

can Petroleum Co. and the American Oil Fields Co. These are both operating companies, organized under the laws of California. Neither of them is engaged in interstate commerce. They both produce oil exclusively in California. The entire product of the American Petroleum Co. is sold under contract to the Associated Oil Co., also a California corporation, and is delivered to that company in California. The entire product of the American Oil Fields Co. is sold under contract to the Independent Oil Producers' Association of California, a California company, and is delivered in California. This is not a temporary, but a permanent condition.

Was this statement prepared by your counsel?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. Do you care to adopt it as your statement?

Mr. LEWISOHN. Yes.

Mr. UNTERMYER. Now, let us see. Does the California Petroleum Co. hold the title to any of these properties, the American or any of the others?

Mr. LEWISOHN. No; I believe it holds the stock of the companies.

Mr. UNTERMYER. How do you know? I understood you to say yesterday that you had nothing to do with the organization of these companies, and knew nothing about it. Did you not so state?

Mr. LEWISOHN. I have got those statements here.

Mr. UNTERMYER. Just produce any statement that tells us anything about this company, as to whether it is an interstate corporation or whether it is not.

Mr. LEWISOHN. Here is the whole statement, the reports and pamphlets. [Witness produces two printed pamphlets.]

Mr. UNTERMYER. Do you know anything about what is in these pamphlets?

Mr. LEWISOHN. In a general way; yes, sir.

Mr. UNTERMYER. Did you have anything to do with the organization of the company?

Mr. LEWISOHN. No.

Mr. UNTERMYER. Do you know its method of organization?

Mr. LEWISOHN. No.

Mr. UNTERMYER. You know nothing about it?

Mr. LEWISOHN. No; I do not.

Mr. UNTERMYER. Now, let us see about this, further. Do you know how the company sells its oil?

Mr. LEWISOHN. No.

Mr. UNTERMYER. Or to whom?

Mr. LEWISOHN. Only that I know about the selling to this producers' company.

Mr. UNTERMYER. Now, the producers' company has pipe lines in California, has it not?

Mr. LEWISOHN. I believe it has.

Mr. UNTERMYER. Has the California Petroleum Co., or any of its subsidiaries, any pipe lines in California?

Mr. LEWISOHN. I am not familiar enough to answer.

Mr. UNTERMYER. You do not know?

Mr. LEWISOHN. I do not know.

Mr. UNTERMYER. Then you do not know whether it is an interstate corporation or not, do you? I mean you do not know whether it is a common carrier owning pipe lines, and whether it conveys its own oil? Do you know as to that?

Mr. LEWISOHN. I understood it had no pipe lines.

Mr. UNTERMYER. Do you know anything about it?

Mr. LEWISOHN. And sold its oil at the wells to these various companies.
Mr. UNTERMYER. It is a producing company?
Mr. LEWISOHN. A producing company.
Mr. UNTERMYER. Does it sell any refined oil?
Mr. LEWISOHN. I do not know.
Mr. UNTERMYER. Do you not know it deals in refined oil?
Mr. LEWISOHN. It is crude oil—fuel oil.
Mr. UNTERMYER. Fuel oil?
Mr. LEWISOHN. Fuel oil.
Mr. UNTERMYER. But that is a form of refined oil too, is it not—coarse refined oil, is it not?
Mr. LEWISOHN. I do not think it is a refined oil.
Mr. UNTERMYER. You are right about that. Do you not have any of your oil refined?
Mr. LEWISOHN. I do not believe we do.
Mr. UNTERMYER. Do you know?
Mr. LEWISOHN. No; I do not know.
Mr. UNTERMYER. Do you know what the character of your contract is with the producers' company?
Mr. LEWISOHN. No.
Mr. UNTERMYER. Then you do not know whether yours is an interstate corporation or whether it is not, do you?
Mr. LEWISOHN. I understand it only does business in the State of California.
Mr. UNTERMYER. Yes; but if, for instance, it sends its oil to a refinery and takes the product of refined oil and disposes of that, and that refinery is out of the State, and it sells its oil all over the country, that would be an interstate corporation. Now, do you know whether or not it is an interstate corporation in that respect?
Mr. LEWISOHN. I understood it had no refineries.
Mr. UNTERMYER. No; but do you not know that it could have its oil refined by other refineries without having its own refinery?
Mr. LEWISOHN. Yes; it could have.
Mr. UNTERMYER. Do you know whether it does?
Mr. LEWISOHN. No; I believe it does not.
Mr. UNTERMYER. Do you know whether it does or not?
Mr. LEWISOHN. No; I do not know.
Mr. UNTERMYER. Then you do not know whether it is an interstate company or not? In other words, you do not know enough of its business—is that right?
Mr. LEWISOHN. Yes; that is right.
Mr. UNTERMYER. That is all. Do not leave, please, Mr. Lewisohn.
Mr. LEWISOHN. All right.

Witness excused.

TESTIMONY OF J. F. FEDER.

The witness was sworn by the chairman.
Mr. UNTERMYER. Where do you live?
Mr. FEDER. New York.
Mr. UNTERMYER. What is your occupation?
Mr. FEDER. I am associated with the banking house of Lewisohn Bros.

Mr. UNTERMYER. Are you an employee?

Mr. FEDER. Yes.

Mr. UNTERMYER. I mean, you are not a partner, are you?

Mr. FEDER. No.

Mr. UNTERMYER. How long have you been connected with Lewisohn Bros.?

Mr. FEDER. About six years.

Mr. UNTERMYER. Did you conduct the market operations in the California Petroleum Co. in behalf of Lewisohn Bros.?

Mr. FEDER. I assisted in that.

Mr. UNTERMYER. Whom did you assist?

Mr. FEDER. That operation was carried on in conjunction with the bankers associated in the operation and the partners of Lewisohn Bros.

Mr. UNTERMYER. Whom did you assist in the market operations in the stock? You say you assisted.

Mr. FEDER. I say I assisted in conjunction with the bankers interested.

Mr. UNTERMYER. Then, as I understand it, your firm, you and Salomon & Co. and Hallgarten, all took part in guiding these market operations, did they?

Mr. FEDER. Yes.

Mr. UNTERMYER. How did you determine, each day, what you were going to do the next day in the way of putting in buying and selling orders?

Mr. FEDER. That depended entirely upon the interest, or the condition of the supply or the demand, or the selling power on the part of the people that had bought or desired to sell stock.

Mr. UNTERMYER. I do not think you answer my question.

Mr. FEDER. I mean to, all right.

Mr. UNTERMYER. It depended upon how many purchasers you got in the day before during these operations of buying and selling stock. Do you mean that your operations on the second day depended upon how many of the public came in the first day?

Mr. FEDER. Oh, no. It depended entirely upon the demand for the stock.

Mr. UNTERMYER. The demand by the public?

Mr. FEDER. Yes; the demand by the public.

Mr. UNTERMYER. That is the same question.

Mr. FEDER. I did not understand it that way.

Mr. UNTERMYER. What I meant to inquire about was as to how you determined this question every day, you and the other bankers. Did you get together for the purpose, or did you do it over the telephone, and who gave the orders after it had been determined what you would do on a given day in the way of market operations?

Mr. FEDER. We consulted over the telephone.

Mr. UNTERMYER. Who had charge of the operations on behalf of Salomon & Co.?

Mr. FEDER. I do not think anybody, in particular. I think either one of their partners.

Mr. UNTERMYER. Whom did you consult over the telephone?

Mr. FEDER. It was any one of the partners that I happened to get on the telephone at the time.

Mr. UNTERMYER. They were all familiar with it?

Mr. FEDER. In most instances. Two or three of them were.

Mr. UNTERMYER. Who was it with Hallgarten that you consulted with?

Mr. FEDER. Several of their partners.

Mr. UNTERMYER. And they were all familiar with it?

Mr. FEDER. Those that I consulted with were, of course.

Mr. UNTERMYER. What would you ask? What orders you should give that day; at what prices?

Mr. FEDER. No; we never could decide what to do on orders for this stock that day, but there might be conditions in the market——

Mr. UNTERMYER. As conditions arose in the market, you would consult with them as to what to do about buying and selling?

Mr. FEDER. At times. Not always.

Mr. UNTERMYER. Did you give out orders every day?

Mr. FEDER. Yes.

Mr. UNTERMYER. Who directed you as to how you should distribute your buying and selling orders?

Mr. FEDER. Nobody.

Mr. UNTERMYER. You were given full power to exercise your own discretion, were you?

Mr. FEDER. Yes.

Mr. UNTERMYER. Depending on how the market took it?

Mr. FEDER. No; depending upon the demand for the stock and the desire on the part of the people with the stock who desired to sell some.

Mr. UNTERMYER. When there was no demand for the stock, would you go and buy it?

Mr. FEDER. If anybody offered stock for sale at a fair price.

Mr. UNTERMYER. If one of your brokers to whom you had given selling orders offered stock, and nobody else bought it, then you would buy it, would you not?

Mr. FEDER. No, indeed.

Mr. UNTERMYER. How would your broker know, when he was buying stock, whether it was a part of your own selling orders?

Mr. FEDER. Because, in most instances, our purchases were made on limits.

Mr. UNTERMYER. But suppose they were made on limits. If you gave out a dozen orders to brokers to buy at a scale, and a dozen orders to sell at a scale, how would a buying broker know whether the selling order that he accepted was your order or not?

Mr. FEDER. Those orders were never at the same prices.

Mr. UNTERMYER. You do not answer my question. How would he know whose stock it was he was buying?

Mr. FEDER. I do not quite understand.

Mr. UNTERMYER. How would your brokers, to whom you gave buying orders, know from whom this stock came that they were buying?

Mr. FEDER. They would not know.

Mr. UNTERMYER. How would they know that they were not coming from the brokers to whom you gave the selling orders?

Mr. FEDER. Of course they would not.

Mr. UNTERMYER. Then the purpose of your buying orders was to support the market, was it not?

Mr. FEDER. Yes.

Mr. UNTERMYER. And the purpose of your selling orders was to get rid of as much stock as you could?

Mr. FEDER. No.

Mr. UNTERMYER. Were you selling stock in order to hold it, or to get rid of it?

Mr. FEDER. The selling stock——

Mr. UNTERMYER. Will you not answer that?

Mr. FEDER. Oh, yes; with pleasure.

Mr. UNTERMYER. I am glad of that.

Mr. FEDER. I wish you would permit me to qualify that or explain it as I would like to.

Mr. UNTERMYER. Say anything you please about it. Go right ahead.

Mr. FEDER. Our first selling of stock on the exchange was done to prevent the stock going up higher than we wanted to see in one day.

Mr. UNTERMYER. So that you sold at a low price in order to prevent yourself from selling at a higher price?

Mr. FEDER. No; the curious part of it was that we sold at a higher price than we wished to sell at.

Mr. UNTERMYER. That is what you always do when you sell stock?

Mr. FEDER. No; we seldom have occurrences like that.

Mr. UNTERMYER. That was an accident. Barring accidents, and coming down to the business transaction, did you trade in this stock on the curb before it was listed on the exchange?

Mr. FEDER. We sold stock on the curb before it was listed.

Mr. UNTERMYER. Before it was listed? Did you put the stock on the curb?

Mr. FEDER. I would like to say something in that connection. I do not think we ever bought a share on the curb.

Mr. UNTERMYER. Did you put the stock on the curb personally?

Mr. FEDER. No.

Mr. UNTERMYER. Who selected the broker to handle it on the curb?

Mr. FEDER. Nobody interested in the banking group.

Mr. UNTERMYER. Then how long did you deal in the stock on the curb before it was listed on the exchange?

Mr. FEDER. I would rather not admit that we dealt in it, since we did not buy and sell. We only sold stock there.

Mr. UNTERMYER. How long did you sell stock there, on the curb, before it was listed on the exchange?

Mr. FEDER. Three or four days, I should say.

Mr. UNTERMYER. At what price did the stock first appear on the curb?

Mr. FEDER. The first price that we heard of was around 50.

Mr. UNTERMYER. It is not at all unusual, is it, that when it is known that a banking house is about issuing a stock brokers on the curb buy or sell it, and make a quotation on it, "If and when issued"?

Mr. FEDER. It is very usual.

Mr. UNTERMYER. And that is what happened to this stock on the curb, is it not?

Mr. FEDER. Exactly.

Mr. UNTERMYER. They started at 50?

Mr. FEDER. Around 50.

Mr. UNTERMYER. And when you put it on the exchange, you opened it up at 64?

Mr. FEDER. No; the opening sale was 66.

Mr. UNTERMYER. Sixty-six. That was on what day in October, 1912?

Mr. FEDER. You mean the first day that it was traded in on the exchange?

Mr. UNTERMYER. Yes.

Mr. FEDER. I think it was October 5.

Mr. UNTERMYER. Have you not the data there that will show it?

Mr. FEDER. Yes; it was October 5.

Mr. UNTERMYER. And by the end of October there had been, as has been testified, over 362,000 shares sold?

Mr. FEDER. Yes.

Mr. UNTERMYER. This company was not previously known in New York, was it, the California Petroleum Co.? It was a new name?

Mr. FEDER. Somewhat prior to the time of its formation?

Mr. UNTERMYER. Yes.

Mr. FEDER. Yes.

Mr. UNTERMYER. How much of that stock did Lewisohn Bros. deal in for account of the syndicate, as shown by the figures you have there?

Mr. FEDER. I should say slightly over 100,000 shares.

Mr. UNTERMYER. Have you not got them there?

Mr. FEDER. Yes; but I do not think they are added.

Mr. UNTERMYER. You have a list there?

Mr. FEDER. Yes.

Mr. UNTERMYER. Will you let me see it, please?

Mr. FEDER. Yes.

Mr. UNTERMYER. This is a day-by-day list?

Mr. FEDER. Yes.

Mr. UNTERMYER. You have one item there of 2,700 shares among your sales, without any price opposite it?

Mr. FEDER. That is from the hurry of getting this thing up.

Mr. UNTERMYER. October 19, 1912.

Mr. FEDER. We can very readily get that for you.

Mr. UNTERMYER. You have not added these up?

Mr. FEDER. No.

Mr. UNTERMYER. You do not know how much they may be over 100,000 shares?

Mr. FEDER. No; I do not.

Mr. UNTERMYER. How many did you buy and how many did you sell?

Mr. FEDER. I could not tell you that offhand.

Mr. UNTERMYER. Every day you bought and sold?

Mr. FEDER. Yes.

Mr. UNTERMYER. For instance, on the first day, the 5th day of October, there were 11 purchases and 8 sales. Does that mean that you had given orders to 8 selling brokers and 11 buying brokers?

Mr. FEDER. No. Those are just the sales that are bunched together. It does not represent the individual transactions.

Mr. UNTERMYER. It does not represent them?

Mr. FEDER. No.

Mr. UNTERMYER. You do not know how many orders you gave out on the first day to buy or sell, do you?

Mr. FEDER. I can give you a rough idea.

Mr. UNTERMYER. How many?

Mr. FEDER. I can not tell you in amounts, and I think really you should have an explanation of this, because it is very interesting and pertinent.

Mr. UNTERMYER. The point is, we would like a great many interesting things here, but we have not the time for all of them, so we will try to see if we can keep down to this particular thing. What I want to know is if you know how many buying orders and how many selling orders you gave on the first day.

Mr. FEDER. I know that we had buying orders in from 66 down——

Mr. UNTERMYER. Will you tell me to how many brokers you gave buying orders and to how many brokers you gave selling orders the first day, if you remember?

Mr. FEDER. I do not remember that, offhand.

Mr. UNTERMYER. Could you tell by looking at the sheet of October 5?

Mr. FEDER. I do not know whether that would help me any or not in that connection [after examining sheet]. No; that would not help me at all.

Mr. UNTERMYER. What is your recollection? That was the first day of business on the exchange, and it is only last October. Perhaps you have some memory on the subject?

Mr. FEDER. We probably gave orders to buy around 5,000 shares.

Mr. UNTERMYER. To how many brokers? I do not mean how many shares, but to how many brokers did you give buying orders and to how many brokers did you give selling orders?

Mr. FEDER. Probably to three or four brokers; and probably gave selling orders——

Mr. UNTERMYER. To the same number?

Mr. FEDER. Yes.

Mr. UNTERMYER. Did you hear Mr. Lewisohn's testimony yesterday? I think he said something about 19.

Mr. FEDER. On the first day?

Mr. UNTERMYER. No; not on the first day, but he had 19 brokers dealing in stock.

Mr. FEDER. Oh, yes; but not 19 on the first day.

Mr. UNTERMYER. Did any of these buying brokers know you were giving buying orders to other brokers?

Mr. FEDER. No.

Mr. UNTERMYER. Did any selling broker to whom you gave selling orders know you were giving selling orders to other brokers?

Mr. FEDER. No.

Mr. UNTERMYER. What was the purpose of giving out orders to a number of brokers to buy and to a number of brokers to sell, and not letting any of them know what any of the others were doing, or that any of the others had orders?

Mr. FEDER. Because it was not customary to tell your brokers what you were doing.

Mr. UNTERMYER. Why did you not give all of your orders to one broker?

Mr. FEDER. We thought two or three were better able to execute them.

Mr. UNTERMYER. It was to create an appearance of great activity of buying in the stock, was it not?

Mr. FEDER. No.

Mr. UNTERMYER. Not at all?

Mr. FEDER. No, sir.

Mr. UNTERMYER. It would not have that effect, would it, to have a dozen men all buying and bidding against one another for the same order?

Mr. FEDER. That is one thing we tried to avoid here.

Mr. UNTERMYER. Why did you give the orders to so many brokers if you wanted to avoid it?

Mr. FEDER. So as to not show too big a buying order in the hands of any one broker, which would have been just as bad.

Mr. UNTERMYER. I do not think I understand that. Do you mean to say if you give an order to a dozen different brokers to buy stock, that does not create competition and activity in that stock among those brokers?

Mr. FEDER. Not if they are market orders.

Mr. UNTERMYER. You mean not if they are on a scale?

Mr. FEDER. A limit.

Mr. UNTERMYER. Those orders were all on scale?

Mr. FEDER. Yes.

Mr. UNTERMYER. There were no market orders?

Mr. FEDER. None.

Mr. UNTERMYER. The selling orders were on scale?

Mr. FEDER. Every one.

Mr. UNTERMYER. That is the way a manipulation order is always given, is it not?

Mr. FEDER. No.

Mr. UNTERMYER. Have you ever heard of it being given in any other way?

Mr. FEDER. I do not know what they call manipulation orders.

Mr. UNTERMYER. Do you not? You conducted this operation, did you not?

Mr. FEDER. But it was not manipulated.

Mr. UNTERMYER. These buying and selling orders kind of fit into one another, do they not?

Mr. FEDER. No.

Mr. UNTERMYER. They are different dates?

Mr. FEDER. No.

Mr. UNTERMYER. For instance, you have here on the first day of trading, purchases of 1,000 at 70, and sales of 1,400 at 70; purchases of 1,000 at 70½, and sales of 700 at 70½; purchases of 1,000 at 70¾, and sales of 700 at 70¾; purchases of 600 at 71; sales of 1,900 at 71; and so on through the list. Those orders were all given at those figures, were they not, to buy and sell?

Mr. FEDER. Not in that way.

Mr. UNTERMYER. They were given to buy and sell at that figure, and were executed in that way, were they not?

Mr. FEDER No; not necessarily so.

Mr. UNTERMYER. Let us see about that. If you find a thousand shares bought at 70, was it not because you gave an order to buy at 70?

Mr. FEDER. Not having given a market order.

Mr. UNTERMYER. I thought you just said you gave no market orders, but gave these orders at prices and on scale?

Mr. FEDER. I did not on that particular day, at that particular opening.

Mr. UNTERMYER. So on the first day these orders were all given at the market?

Mr. FEDER. No; they were not.

Mr. UNTERMYER. Were there any market orders?

Mr. FEDER. Later in the operation——

Mr. UNTERMYER. No; on the first day.

Mr. FEDER. Perhaps after the first hour's trading there may have been some market orders.

Mr. UNTERMYER. And on other days were there market orders?

Mr. FEDER. Yes.

Mr. UNTERMYER. I thought you said a few moments ago, if I correctly understood you, that when you wanted to manipulate you gave market orders.

Mr. FEDER. I never said anything about manipulating.

Mr. UNTERMYER. Which kind of orders do you give when you want to manipulate? Do you give market orders?

Mr. FEDER. I never give my orders to manipulate.

Mr. UNTERMYER. When you do want to manipulate, what do you give orders for—on scale or market orders? Which way do you do it?

Mr. FEDER. I do not manipulate.

Mr. UNTERMYER. Do you know how it is done?

Mr. FEDER. No; not that way.

Mr. UNTERMYER. Then you do not know when you are manipulating and when you are not?

Mr. FEDER. That might be so.

Mr. UNTERMYER. That is probably so. Do you not know, taking as an illustration this first day's transactions, what the purpose of these orders was?

Mr. FEDER. No, because——

Mr. UNTERMYER. Answer my question. Do you not know what the purpose was?

Mr. FEDER. May I mention something in that connection very pertinent?

Mr. UNTERMYER. Yes.

Mr. FEDER. That does not show the operation in that way, for this reason: The stock that was bought at 70, if there was such a purchase there, was probably bought at 70 after sales had been made all the way up and after it had gone to 70¼, and when the market receded we bought back at 70; but they were never executed at the same time. It so happens you can sell 500 at 70, 500 at 70¼, and 500 at 70½. If the market recedes you might buy back 500 shares at 70.

Mr. UNTERMYER. Did you notice it so happened in every one of the cases in this instance?

Mr. FEDER. It might.

Mr. UNTERMYER. These things show for themselves, and I do not think we will discuss them any further. We will offer them in evidence.

The statements referred to were thereupon marked "Exhibit 132½, December 17, 1912," the respective sheets being marked, "Sheets A, B, C, D, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V." and will be found at the end of the proceedings of December 19, 1912.

Mr. UNTERMYER. When you got through with the operation for the month of October, dealing in this number of shares, 100,000 or more, how many shares did you find that the syndicate or pool had on hand as a result of its operations for that month?

Mr. FEDER. I do not know.

Mr. UNTERMYER. Have you no books to tell it? Have you no way to tell what was the net result of the operation?

Mr. FEDER. We could trace that up very easily.

Mr. UNTERMYER. You had been buying and selling all through the month, and you had a certain profit or a certain loss, and a certain number of shares left?

Mr. FEDER. Yes.

Mr. UNTERMYER. Can you tell that before you leave here?

Mr. FEDER. I do not know whether I can or not. I will try to.

Mr. UNTERMYER. If you will be good enough to do it, we will recall you. That is all I want at this time.

Mr. FEDER. Thank you.

Mr. UNTERMYER. That is all I want until you get us that data.

Mr. FEDER. Yes.

Mr. UNTERMYER. I do want to ask one more question.

Did you ever see a list of the underwriters or subscribers to this $5,000,000 syndicate?

Mr. FEDER. No.

Mr. UNTERMYER. Did you not keep any account with them?

Mr. FEDER. You mean our firm?

Mr. UNTERMYER. Yes; your firm.

Mr. FEDER. No.

Mr. UNTERMYER. Who kept the accounts for that syndicate?

Mr. FEDER. The syndicate managers.

Mr. UNTERMYER. Which one of the managers kept the account?

Mr. FEDER. I could not tell you.

Mr. UNTERMYER. Was it Salomon & Co.?

Mr. FEDER. I do not know.

Mr. UNTERMYER. Did not Lewisohn & Co. get statements from their partners in regard to that transaction?

Mr. FEDER. We received communications; but I think in most instances they had been signed by both parties.

Mr. UNTERMYER. The question is whether you received statements of account at the end of each month.

Mr. FEDER. I do not think we got any.

Mr. UNTERMYER. Do you not think you have had any?

Mr. FEDER. No.

Mr. UNTERMYER. Have you no statement showing the amount paid in by the underwriters to that $5,000,000 syndicate and the names of the underwriters who made payments, and the dates of their payments?

Mr. FEDER. We have some record, but I do not know in what form it is.

Mr. UNTERMYER. You have the records that would show the names of those underwriters?

Mr. FEDER. No; not the underwriters.

Mr. UNTERMYER. You do not know where we can get the names?

Mr. FEDER. I could not tell you.

Mr. UNTERMYER. That is all.

Witness excused.

TESTIMONY OF J. B. NIVEN.

The witness was sworn by the chairman.

Mr. UNTERMYER. Where do you live?

Mr. NIVEN. Montclair, N. J.

Mr UNTERMYER. What is your occupation?

Mr NIVEN. Public accountant.

Mr. UNTERMYER. What is your firm?

Mr. NIVEN. Touche, Niven & Co.

Mr. UNTERMYER. Where is your place of business?

Mr. NIVEN. 30 Broad Street, New York.

Mr. UNTERMYER. Is your firm composed of English chartered accountants?

Mr. NIVEN. My senior partner, Mr. George A. Touche, is also senior partner of Messrs. George A. Touche & Co., of London.

Mr. UNTERMYER. Your firm in America is a branch of an English firm?

Mr. NIVEN. Practically speaking.

Mr. UNTERMYER. You are chartered accountants in this country?

Mr. NIVEN. Certified public accountants.

Mr. UNTERMYER. You are certified public accountants, and you are English chartered accountants?

Mr. NIVEN. Scotch.

Mr. UNTERMYER. Were you asked by the committee to undertake certain inquiries and investigations in connection with the movement of the money between New York City and the rest of the country—that is, the movement between the banks?

Mr. NIVEN. I was.

Mr. UNTERMYER. For that purpose were you furnished with statements that were made by certain New York banking institutions?

Mr. NIVEN. I was.

Mr. UNTERMYER. Will you please produce those statements?

Mr. NIVEN. The statements themselves?

Mr. UNTERMYER. Yes.

Mr. NIVEN. Yes, sir.

Mr. UNTERMYER. Have you a list showing the institutions for which the data has been received?

Mr. NIVEN. I have.

Mr. UNTERMYER. State first the names of the institutions from which the data was received.

Mr. NIVEN. The American Exchange National Bank——

Mr. UNTERMYER. These are all New York City institutions, are they not?

Mr. NIVEN. All of them.

Mr. UNTERMYER. And all members of the New York Clearing House Association?

Mr. NIVEN. I believe so.

Mr. UNTERMYER. Please proceed with the list.

Mr. NIVEN. American Exchange National Bank, the Bank of America, Bank of Manhattan Co., Bank of New York, Bankers' Trust Co., Brooklyn Trust Co., Chase National Bank, Chemical National Bank, Columbia-Knickerbocker Trust Co., Corn Exchange Bank, Fifth Avenue Bank, Fifth National Bank, First National Bank, Fourth National Bank, Guaranty Trust Co., Hanover National Bank, Importers' & Traders' National Bank, Lawyers Title Insurance & Trust Co., Liberty National Bank, Lincoln National Bank, Lincoln Trust Co., Merchants' Exchange National Bank, Mechanics & Metals National Bank, Metropolitan Bank, Metropolitan Trust Co., National Bank of Commerce, National City Bank, National Park Bank, New York Trust Co., Seaboard National Bank (through the Guaranty Trust Co. some statistics regarding the Standard Trust Co., now merged with it), Title Guarantee & Trust Co., United States Mortgage & Trust Co.

Mr. UNTERMYER. How many institutions in all?

Mr. NIVEN. About 33, I think, altogether.

Mr. UNTERMYER. Is that out of a total membership of 63 clearing-house banks and 22 nonmember banks?

Mr. NIVEN. I could not give the number; I do not know it.

Mr. UNTERMYER. Please state what data you secured from each of these institutions as a basis for the statistics about which I will ask you.

Mr. NIVEN. Most of them furnished me with the number of their out-of-town correspondents——

Mr. UNTERMYER. Were there any who did not furnish the number of correspondents?

Mr. NIVEN. I think there were about four who were asked that—no; I have the number from every one of them.

Mr. UNTERMYER. You have that number?

Mr. NIVEN. I think I have. They furnished me with the aggregate capital, surplus, and undivided profits of these out-of-town institutions, according to the latest information that they could obtain, in many cases from records of various kinds.

Mr. UNTERMYER. Will you tell me right here, when you speak of "out-of-town correspondents," whether your statistics relate only to such out-of-town correspondents as are banks or trust companies?

Mr. NIVEN. I understand so. The question was put to them in that form.

Mr. UNTERMYER. Only as to banks and trust companies?

Mr. NIVEN. Yes.

Mr. UNTERMYER. How many such out-of-town correspondents did they return as being upon their books and having accounts with these 34 New York Clearing House banks?

Mr. NIVEN. The number is 19,015.

Mr. UNTERMYER. Will you be good enough to go on and state the other data which you have?

Mr. NIVEN. They reported the aggregate capital, surplus, and undivided profits of these out-of-town correspondents, or at least of 18,571 of them. Shall I give the exact figures?

Mr. UNTERMYER. Yes.

Mr. NIVEN. They reported the aggregate capital, surplus, and undivided profits of these 18,571 out-of-town correspondents as $9,293,091,000.

Mr. UNTERMYER. Did they necessarily include duplications?

Mr. NIVEN. I have no means of knowing, but I am very certain they do include duplications.

Mr. UNTERMYER. In cases in which an out-of-town bank has more than one New York correspondent there would be a duplication of correspondents there?

Mr. NIVEN. Yes.

Mr. UNTERMYER. No one bank would know where the duplication arose?

Mr. NIVEN. And I could not tell either, because I was not supplied with the names of the banks, except in a very few instances.

Mr. UNTERMYER. You know, do you not, that they were asked to give the names of their out-of-town correspondents, and that they preferred not to do so?

Mr. NIVEN. Was that in the original instructions?

Mr. UNTERMYER. In the absence of information as to the names of correspondents, was there any way of checking any duplications in the number of correspondents?

Mr. NIVEN. None that I know of.

Mr. UNTERMYER. What information did they give as to the correspondents? Did they subdivide them by States?

Mr. NIVEN. Many of them do. I have no table of those subdivisions, however.

Mr. UNTERMYER. But they were subdivided?

Mr. NIVEN. In many cases. In some cases not.

Mr. UNTERMYER. Is it a fact that if there are duplications in the number of correspondents—when you state the number is over 19,000—that is necessarily due to the fact that the names of the correspondents have not been furnished?

Mr. NIVEN. Yes.

Mr. UNTERMYER. Will you now go on and tell us what data you exacted, or the committee exacted, from the banks; not what the results were, but what data you asked for? You say you asked for the number of correspondents. What else did you ask for?

Mr. NIVEN. The aggregate capital, surplus, and undivided profits of these correspondents, which I have just stated.

Mr. UNTERMYER. There is likely to be duplication in amounts there, too?

Mr. NIVEN. Very much so.

Mr. UNTERMYER. Proceed.

Mr. NIVEN. They were also asked to state the amount of deposits of these out-of-town institutions at various dates during the past five years in the New York institution.

Mr. UNTERMYER. As of what dates were the amounts of deposits of these correspondents in the New York banks asked?

Mr. NIVEN. They were asked for as of the 1st of January, 1st of July, and 1st of November in each of the years 1908 to 1912, inclusive. I should qualify that by saying that there was some little confusion regarding the dates, and some of them gave us the statistics at dates that were a little bit apart from these dates I have mentioned.

Mr. UNTERMYER. But they wese substantially correct?

Mr. NIVEN. The biggest error was in the case of one or two institutions that gave us 1st April instead of 1st January.

We had 1st June or 1st July practically in every case, and 1st November or 1st December in every case.

Mr. UNTERMYER. There is no duplication, is there, in the amount of deposits?

Mr. NIVEN. No; there could not be.

Mr. UNTERMYER. What other data was requested by the committee to be furnished by these institutions?

Mr. NIVEN. They were asked to state what loans on stock-exchange securities, or securities of a similar nature, had been made on behalf of these out-of-town institutions as of the same dates.

Mr. UNTERMYER. Were they also asked for their own loans made on stock-exchange securities?

Mr. NIVEN. You have stated exactly the third point that they were asked for.

Mr. UNTERMYER. That is the last point?

Mr. NIVEN. They were asked also to give us detailed statements of the actual collateral in loans at these various dates, but that was found to be absolutely impracticable owing to the way the books of practically every institution are kept; but in almost every case we have statements of collateral in hand as of a recent date, probably some day this month.

Mr. UNTERMYER. But as to the collateral that was in hand at these other stated intervals, it was found impossible?

Mr. NIVEN. It was found impracticable, at any rate, for those other dates.

Mr. UNTERMYER. Was it not found that the banks kept no record of their collateral loans after they were paid?

Mr. NIVEN. Very many of them keep no such records.

Mr. UNTERMYER. In many of the banks they could not tell what collateral they held for given loans?

Mr. NIVEN. No.

Mr. UNTERMYER. You have made up the figures of each one of these banks and institutions, have you?

Mr. NIVEN. Yes, I have.

Mr. UNTERMYER. What did you find to be the effect of the high money rate, as attracting money to New York?

Mr. NIVEN. I did not, as a matter of fact, go into the question of money rates at all, Mr. Untermyer, but I can tell recently, for instance, how very much money was attracted to New York, and I think it is a matter of knowledge that the recent rates have been very high.

Mr. UNTERMYER. That statement would show, would it not, the amount of money that the New York banks, these 34 New York banks, as of November 1, are lending on stock-exchange collateral, both for themselves and for their customers?

Mr. NIVEN. That is true.

Mr. UNTERMYER. How much, on the 1st of November, was outstanding in the way of loans of that character, both by the banks of their own funds and for their out of town correspondent banks?

Mr. NIVEN. That is from statement B. The amount November 1, 1912, was $766,795,000.

Mr. UNTERMYER. That is the extent to which the banks of New York, out of their own funds and funds of the correspondents on deposit with them, and out of funds of their correspondents sent to them to loan, had loaned out on stock-exchange collateral?

Mr. NIVEN. That is so.

Mr. UNTERMYER. $766,000,000?

Mr. NIVEN. Yes.

Mr. UNTERMYER. That represents largely the amount of money, does it not, that it takes to carry speculative securities?

Mr. NIVEN. Largely so, I think.

Mr. UNTERMYER. What was the amount that was outstanding as having been loaned by these New York banks for the account of their out-of-town correspondents on the 1st of November, 1912, apart from what those banks were lending out of their own funds or out of funds of these correspondents on deposit with them?

Mr. NIVEN. $240,480,000.

Mr. UNTERMYER. That represents entirely moneys loaned for the correspondents directly?

Mr. NIVEN. That is as it has been reported.

Mr. UNTERMYER. How did that compare with the amount that was so loaned by the banks on July 1, when money was easy?

Mr. NIVEN. On July 1 the similar amount was $141,028,000.

Mr. UNTERMYER. So there was an increase, as money became tighter and the rates higher, of about $100,000,000 in that class of loans?

Mr. NIVEN. Practically.

Mr. UNTERMYER. Does that show anything, and if so, what, as to the attractiveness of high money rates in taking money from the different parts of the country and bringing it to New York?

Mr. NIVEN. I should construe it as indicating that the country banks saw an opportunity to get good interest and turned their money into New York.

Mr. UNTERMYER. How do the loans of November 1, 1912, on stock exchange collateral compare with the amounts that were outstanding in previous years at the same period? Has there been a constant increase of the loanable funds on the stock exchange and in stock exchange securities in New York?

Mr. NIVEN. The general tendency has been an increase, the first year showing in round numbers $586,000,000 and the last year $767,000,000.

Mr. UNTERMYER. Approximately?

Mr. NIVEN. Yes. They went up in 1909 and fell back a little in 1910 and then continued up again in 1911 to the high point in 1912.

Mr. UNTERMYER. Which of the banks lends the largest amount of its money on stock exchange collateral; that is, of moneys deposited with it?

Mr. NIVEN. It will take me a little time to look that up. If you will give me a little time I will look it up and answer it later.

Mr. UNTERMYER. Whilst this amount of loanable funds on November 1 of each year has been increasing and is as you have stated it to be, what has been the condition of the balances of these out-of-town banks in the New York banks? Have those balances declined or increased?

Mr. NIVEN. They have been somewhat lower, Mr. Untermyer. Going back to the beginning of the period, in 1908, the deposits were in round figures $500,000,000. In 1912, on the same date, they were $483,000,000.

Mr. UNTERMYER. On what schedule is that shown?

Mr. NIVIN. Statement A.

Mr. UNTERMYER. How does that compare with other years?

Mr. NIVEN. I have read the figures of the total for the other years from this same statement. They have swung around $500,000,000 or a little under $500,000,000 all along. It is the loans that show the big increase.

Mr. UNTERMYER. You mean the loans for the correspondents?

Mr. NIVEN. The loans for the correspondents; yes.

Mr. UNTERMYER. What would that indicate to an accountant?

Mr. NIVEN. I would say that it indicates that they are sending in money simply for the purpose of loaning on stock exchange securities.

Mr. UNTERMYER. And withdrawing part of the money from the banks from their deposits?

Mr. NIVEN. Naturally so.

Mr. UNTERMYER. In addition to withdrawing money from their deposits to lend out on the street, do the accounts show that they supply more money from their own banks directly for that purpose?

Mr. NIVEN. That is what I have said.

Mr. UNTERMYER. Just glance along these statements, and taking them one by one, state first what is the amount shown, for instance, of deposits of correspondents of the American Exchange National Bank?

Mr. NIVEN. At this last date, the 1st of November, 1912?

Mr. UNTERMYER. Yes; and the number of its correspondents.

Mr. NIVEN. Three hundred and eighty-seven correspondents.

Mr. UNTERMYER. And what was their balance November 1, 1912?

Mr. NIVEN. Their deposits were $12,700,000; their loans for correspondents were $9,360,000.

Mr. UNTERMYER. What were the bank's own loans out on the Street?

Mr. NIVEN. On the same date, $8,750,000.

Mr. UNTERMYER. Was there $8,750,000 out on the Street?

Mr. NIVEN. Of their own money; yes.

Mr. UNTERMYER. And how much of the correspondents' money?

Mr. NIVEN. $9,360,000.

Mr. UNTERMYER. And how much had these correspondents on deposit there?

Mr. NIVEN. $12,717,000. I should say with regard to the American Exchange Bank's own loans that I think the figures I have given for stock exchange collateral were partially an estimate based upon information that I got verbally from them.

Mr. UNTERMYER. Will you take up the Bank of America?

Mr. NIVEN. The Bank of America deposits for out-of-town correspondents at this last date, November 1, 1912, were $4,187,000.

Mr. UNTERMYER. How many correspondents?

Mr. NIVEN. One hundred and ninety-four. The loans on their account were $430,000; their own loans were $7,307,000.

Mr. UNTERMYER. That is, their loans on the Street?

Mr. NIVEN. All my statements are on the Street or on stock exchange collateral.

Mr. UNTERMYER. Take up the Bank of Manhattan next.

Mr. NIVEN. Eighty-four correspondents; deposits, $5,158,000.

Mr. UNTERMYER. What do you mean by deposits?

Mr. NIVEN. Deposits of out-of-town correspondents. Loans for out-of-town correspondents, $4,720,000; their own loans, $10,853,000.

Mr. UNTERMYER. That represents how large a contraction in their own loans?

Mr. NIVEN. Since July 1?

Mr. UNTERMYER. Yes.

Mr. NIVEN. Their loans in July were $20,157,000, a contraction of about $9,000,000.

Mr. UNTERMYER. How about a comparison of the loans of correspondents?

Mr. NIVEN. The loans of their correspondents show a slight increase—from $4,000,000 to $4,720,000.

Mr. UNTERMYER. We will skip the smaller of these and come to some of the larger ones. Take the Bankers Trust Co. next. How many correspondents has that concern?

Mr. NIVEN. They have 237 correspondents. The deposits of those correspondents, which in this case are stated as of the 1st of December instead of the 1st of November, were $22,861,000, and the loans——

Mr. UNTERMYER. Why are they stated as of the 1st of December and not as of the 1st of November, if you know?

Mr. NIVEN. I am afraid, owing to some confusion in the dates—I am afraid our instructions in some cases were misunderstood.

The loans for these out-of-town correspondents at December 1 were $31,232,000. Their own loans on that same date, November 1, were $65,961,000.

Mr. UNTERMYER. So they had outstanding on that date, on stock exchange collateral, loans out of their own funds and loans of their correspondents of how much?

Mr. NIVEN. Just over $97,000,000.

Mr. UNTERMYER. What proportion did that bear to their total deposits?

Mr. NIVEN. I can not answer that from the statistics I have.

Mr. UNTERMYER. We will take up the next of the larger institutions.

But let me go back a moment to the Bankers Trust Co. How did those figures compare with the situation in July of the present year?

Mr. NIVEN. In July thay had loans for their out-of-town correspondents of $16,498,000.

Mr. UNTERMYER. As against how much on December 1?

Mr. NIVEN. As against $31,232,000 on December 1.

Mr. UNTERMYER. That was about double what they had in July, was it not?

Mr. NIVEN. Pretty nearly.

Mr. UNTERMYER. What would you, as an accountant, say was the occasion of doubling their loans for their correspondents?

Mr. NIVEN. I presume their correspondents asked them to lend out more money at this happy season.

Mr. UNTERMYER. You mean happy because of high rates of money?

Mr. NIVEN. Certainly.

Mr. UNTERMYER. And that would have a tendency to attract that money to New York, would it not?

Mr. NIVEN. Surely. Their own loans went down in this particular case.

Mr. UNTERMYER. How much were their own loans?

Mr. NIVAN. $85,500,000 in July and just $66,000,000 in December.

Mr. UNTERMYER. You could get no data on November?

Mr. NIVEN. I should correct that. I think their own loans are stated as of November. It was their out-of-town loans, the loans for out-of-town correspondents, that they stated as of December; at least that is the way my schedule shows it.

Mr. UNTERMYER. How did this condition as of November 1, 1912, compare with their condition as of January 1, 1912?

Mr. NIVEN. You mean their own condition?

Mr. UNTERMYER. As to their own loans and loans of out-of-town correspondents?

Mr. NIVEN. Together, their own loans and their loans for correspondents in January, 1912, were approximately $65,000,000.

Mr. UNTERMYER. As against how much?

Mr. NIVEN. In December, 1912, as I have already stated, they were practically $97,000,000, an increase of about 50 per cent.

Mr. UNTERMYER. We will pass the Brooklyn Trust and come to the Chase National Bank.

Mr. NIVEN. They have 3,103 correspondents. Their deposits in November, 1912, i. e. the out-of-town correspondents' deposits in the Chase National Bank were $70,007,000. Loans made by the Chase National Bank for those correspondents were $57,990,000, and the bank's own loans were $34,915,000.

Mr. UNTERMYER. How do their loans for their out-of-town correspondents as of November 1, 1912, compare with their loans for those same correspondents on January 1 and July 1 of the same year?

Mr. NIVEN. The figures for the Chase National Bank are for April, June, and November.

Mr. UNTERMYER. You say the loans for their correspondents, always being on stock exchange collateral, were $57,990,000. What were those loans as of June?

Mr. NIVEN. As of June, $36,377,000.

Mr. UNTERMYER. And what were they as of April?

Mr. NIVEN. $29,430,000.

Mr. UNTERMYER. They were lending out for their out-of-town correspondents as of November, 1912, just about twice as much money as of April, 1912?

Mr. NIVEN. Yes, sir.

Mr. UNTERMYER. And that you attribute to what?

Mr. NIVEN. To the attraction of money, again. I have not looked up the rates in April, but I should imagine they were low.

Mr. UNTERMYER. You were telling us about the amount of their own loans on stock exchange collateral?

Mr. NIVEN. Their own loans as of January were $29,581,000; as of July, $39,704,000; as of November they had fallen away to $34,915,000.

Mr. UNTERMYER. You mean they had fallen from $39,000,000 to $34,000,000?

Mr. NIVEN. Yes.

Mr. UNTERMYER. There had been a change of $5,000,000?

Mr. NIVEN. Yes.

Mr. UNTERMYER. On stock exchange loans?

Mr. NIVEN. On stock exchange loans only.

Mr. UNTERMYER. Whilst the loans for correspondents had increased about $38,000,000?

Mr. NIVEN. They had increased from $36,000,000 to $57,000,000.

Mr. UNTERMYER. That is more than 50 per cent.

Mr. NIVEN. Yes.

Mr. UNTERMYER. All these figures show, do they not, that the high money rate brings the money from all over the country, from these correspondents, to be loaned in Wall Street in New York?

Mr. NIVEN. Yes, sir.

Mr. UNTERMYER. The Chemical Bank is very small, is it not?

Mr. NIVEN. It is very much smaller than those we have been reading.

Mr. UNTERMYER. Let us go to some of the larger institutions, because we do not want to go through them all.

Mr. NIVEN. The First National Bank is probably the next big one.

Mr. UNTERMYER. Let us take up that one. How many correspondents has it?

Mr. NIVEN. Five hundred and seventy-nine correspondents. Their deposits as of November 1——

Mr. UNTERMYER. What do you mean by their deposits?

Mr. NIVEN. The deposits of the correspondents of the First National Bank were $40,127,000; their loans for their correspondents at the same date were $43,454,000, and their own loans for the same date were $42,275,000. The figure for July, I should say, is an estimate I have put in arbitrarily, myself.

Mr. UNTERMYER. The Fourth National is comparatively small, is it not?

Mr. NIVEN. Yes.

Mr. UNTERMYER. And the Garfield?

Mr. NIVEN. We have got no report from the Garfield.

Mr. UNTERMYER. You have not?

Mr. NIVEN. No, sir.

Mr. UNTERMYER. Let us take up the Guaranty Trust. How many correspondents have they?

Mr. NIVEN. One hundred and eighty-two.

Mr. UNTERMYER. How much money have they belonging to their correspondents, or had they on November 1?

Mr. NIVEN. They had deposits of $9,674,000, and they had loaned for their correspondents $13,077,000.

Mr. UNTERMYER. This means that they had simply placed out the money for their correspondents' accounts?

Mr. NIVEN. At the request, no doubt, of these correspondents.

Mr. UNTERMYER. And they took charge of these loans for them?

Mr. NIVEN. Yes.

Mr. UNTERMYER. What were their own loans?

Mr. NIVEN. $30,192,000.

Mr. UNTERMYER. Now take up the case of the Hanover Bank. How many correspondents have they?

Mr. NIVEN. I think this is the biggest, so far as correspondents are concerned.

Mr. UNTERMYER. How many have they?

Mr. NIVEN. Four thousand and seventy-four correspondents.

Mr. UNTERMYER. That is, 4,074 out-of-town banking institutions?

Mr. NIVEN. Yes. The deposits of those correspondents are $47,145,000.

Mr. UNTERMYER. That is as of when?

Mr. NIVEN. As of November, 1912. They have shown a very consistent steadiness, these deposits. They do not seem to vary very much.

Mr. UNTERMYER. How much were they in July?

Mr. NIVEN. $47,900,000.

Mr. UNTERMYER. And how much in January?

Mr. NIVEN. In January, $44,800,000.

Mr. UNTERMYER. That is the most steady business of any of the banks in New York?

Mr. NIVEN. I think so. The loans for these correspondents are very small; in November, $5,414,000; in July, $3,325,000, and in January, just over $2,000,000.

Mr. UNTERMYER. They do not lend much on the stock exchange for their correspondents?

Mr. NIVEN. Very little.

Mr. UNTERMYER. How about their own loans on the Street?

Mr. NIVEN. They are reported at November 1, $11,045,000; in July they were more, $17,700,000, and in January they were $8,900,000.

Mr. UNTERMYER. Their loans are consistently regular, too, are they not?

Mr. NIVEN. I should say so. It is a little surplus cash, I imagine, that they throw into these loans.

Mr. UNTERMYER. How many correspondents has the Importers & Traders National Bank?

Mr. NIVEN. They have 537 correspondents.

Mr. UNTERMYER. What were their deposits?

Mr. NIVEN. The deposits of those correspondents were $11,741,000 at November. The loans for these correspondents were, you may say, nominal; they do not amount to anything at all, hardly.

Mr. UNTERMYER. The loans of the Liberty Bank are $11,000,000 for themselves and $7,000,000 for their correspondents; that is about it, is it not?

Mr. NIVEN. Their loans for their correspondents were only $1,800,000. Their deposits were $7,400,000.

Mr. UNTERMYER. Well, come to the next lot, No. 27, the Mechanics & Metals National Bank.

Mr. NIVEN. They have 1,010 correspondents; deposits in November, 1912, of these correspondents, $17,910,000, and loaned on their account, $4,220,000. Their own loans, $13,502,000.

Mr. UNTERMYER. All your testimony relates to stock-exchange loans and loans on stock-exchange collateral, does it?

Mr. NIVEN. It does, as closely as could be ascertained.

Mr. UNTERMYER. Now take up No. 30, the National Bank of Commerce. How many correspondents have they?

Mr. NIVEN. One thousand six hundred and seventy-one correspondents. The deposits of these correspondents as of the 1st of December in this case were $42,909,000, and the loans on account of

these correspondents were $18,080,000. Their own loans were $38,230,000.

Mr. UNTERMYER. What were their own loans in June and January?

Mr. NIVEN. Their own loans in January were $40,924,000; in July $52,383,000, and in December contracted to $38,230,000; that is, of their own.

Mr. UNTERMYER. Now, take their correspondents' loans.

Mr. NIVEN. Their correspondents' loans were $12,150,000 in January, and were reduced to $8,965,000 in, I think it is, June. I think this must be a typographical error here, because it is written February, but I am sure that it must be June.

Mr. UNTERMYER. Yes.

Mr. NIVEN. And at December, rising to $18,080,000.

Mr. UNTERMYER. Now, take No. 31, the National City Bank. How many correspondents have they?

Mr. NIVEN. One thousand eight hundred and eighty-nine correspondents. The deposits of these correspondents at November were $75,172,000; the loans for these correspondents, $10,200,000, and their own loans $84,788,000. Do you wish them read for the other dates also?

Mr. UNTERMYER. What I want to know first is, how these loans for their correspondents varied between January and July and November of this year.

Mr. NIVEN. January, $2,660,000; July, $2,850,000; November, $10,200,000.

Mr. UNTERMYER. And how did their own loans stand?

Mr. NIVEN. They stood fairly steady; $96,000,000 in January, $102,000 000 in July, and back to $84,788,000 in November.

Mr. UNTERMYER. Please take up now the Park Bank. How many correspondents has that bank?

Mr. NIVEN. Two thousand, four hundred and twenty-six correspondents, with deposits of $49,058,000 at 1st December.

Mr. UNTERMYER. How do those deposits for their correspondent banks compare with their deposits in January and July of this year?

Mr. NIVEN. They are practically the same.

Mr. UNTERMYER. They are practically steady?

Mr. NIVEN. Very steady.

Mr. UNTERMYER. There seems to have been no withdrawal of deposits?

Mr. NIVEN. No.

Mr. UNTERMYER. How about loans for their correspondents?

Mr. NIVEN. January, $10,096,000; July, $8,790,000; November, $14,808,000.

Mr. UNTERMYER. Would that indicate that the moneys which were loaned for their correspondents were moneys that were sent on and not withdrawn from their accounts?

Mr. NIVEN. I should think so.

Mr. UNTERMYER. What were the loans of the Park Bank, of its own?

Mr. NIVEN. January, $41,279,000; July, $50,093,000; and contracted in November to $37,375,000, or, rather, in December, I think. There are no other big ones. The Seaboard has a lot of correspondents; but the figures are not very big.

Mr. UNTERMYER. You have picked out the largest ones, have you not?

Mr. NIVEN. Yes; we have.

Mr. UNTERMYER. Summarizing those which we have not analyzed in the oral testimony, together with those that we have analyzed, taking Statement B, how do you find the total loans on stock-exchange collateral, as of the 1st of Novmber, 1912, compared with the total loans of all previous years, back to 1908 and including 1908?

Mr. NIVEN. That is Statement B.

Mr. UNTERMYER. Are the loans on stock exchange collateral and on the street smaller or larger in 1912, on November 1, than they are for any of the years you have taken?

Mr. NIVEN. They are, absolutely. It was $767,000,000 for November, 1912. For July, 1912, however, it was $789,000,000.

Mr. UNTERMYER. Now, I should like to have marked in evidence, if I may, these various exhibits, 37 separate exhibits of the banks, with their summaries, and with reference to the original statements of the various trust companies on which they are based.

The CHAIRMAN. Let them be marked and filed in evidence.

The papers referred to were marked Exhibit No. 133, subnumbered from 1 to 37, inclusive, and Exhibit No. 133, Statement A, and Exhibit 133, Statement B, all of December 17, 1912 and will be found at the end of the proceedings of December 19, 1912

Mr. UNTERMYER. I think that will be all, unless there is some question by some member of the committee, or unless there is some other explanation you want to make.

Witness excused.

TESTIMONY OF MR. MAURICE H. EWER.

The witness was sworn by the chairman.

Mr. UNTERMYER. What is your occupation?

Mr. EWER. I am cashier of the National Park Bank.

Mr. UNTERMYER. Did you make up a statement that was submitted to the committee in connection with the subject matter of Mr. Niven's testimony?

Mr. EWER. They were made up by my direction.

Mr. UNTERMYER. You recall, do you not, that the committee asked for a list of stock exchange collateral in support of loans throughout a series of years?

Mr. EWER. Yes.

Mr. UNTERMYER. Was it possible to obtain that list?

Mr. EWER. Not as of past dates. They were furnished as of present dates.

Mr. UNTERMYER. Why was it that the collateral was not obtainable as of past dates?

Mr. EWER. Because the record is kept of the collateral when the original loan was made, and the substitutions from day to day are altered on a card record, and a receipt is taken when the payment is made and the collateral at that time is delivered. But it is not possible to tell what the collateral was at an intermediate time. It is possible to tell what the collateral was when the loan was made and when the loan was paid, but not at an intermediate time.

Mr. UNTERMYER. After the loan is paid, what becomes of the cards?

Mr. EWER. Those cards are filed away.

Mr. UNTERMYER. In some banks are they destroyed?

Mr. EWER. I presume they are destroyed in all banks after a certain time.

Mr. UNTERMYER. For how long a period do you file them away?

Mr. EWER. Several years. How much longer I do not know.

Mr. UNTERMYER. Then you keep no record on your books of the collateral that you get from time to time of a loan?

Mr. EWER. Yes, sir; a complete record is kept of all the collateral received.

Mr. UNTERMYER. For collateral or loans that have been paid, would there be a record?

Mr. EWER. When the loan is paid a receipt is taken for the collateral delivered, but not for collateral that is taken out or put in during the loan.

Mr. UNTERMYER. What is the custom with regard to the changing of the collateral?

Mr. EWER. The custom is to change the memorandum record of it.

Mr. UNTERMYER. I want to know what the habit is of stock exchange brokers who have these accounts, coming in and substituting collateral for collateral every day?

Mr. EWER. Yes.

Mr. UNTERMYER. Is that the way it is done?

Mr. EWER. Yes.

Mr. UNTERMYER. On demand loans?

Mr. EWER. Yes.

Mr. UNTERMYER. And on time loans, too?

Mr. EWER. Yes.

Mr. UNTERMYER. So that they start with a certain amount of collateral and certain classes of collateral for a loan, and that changes all the time?

Mr. EWER. Yes.

Mr. UNTERMYER. You have not given us the names of your correspondents, have you?

Mr. EWER. No, sir; we were not asked to.

Mr. UNTERMYER. There is an indisposition to giving the names?

Mr. EWER. We prefer not to.

Mr. UNTERMYER. In the absence of names of correspondents it is not possible to prevent duplication in the number of correspondents, is it?

Mr. EWER. No, sir.

Mr. UNTERMYER. And do you know whether there are many bank correspondents who have more than one account in New York?

Mr. EWER. Yes, sir; a great many.

Mr. UNTERMYER. So that so far as these statistics are concerned, in the statement that there were upward of 19,000 out-of-town correspondents with New York City banks, there are likely to be a number of duplications among that number?

Mr. EWER. Yes.

Mr. UNTERMYER. And that is unavoidable in the absence of information as to the names, is it not?

Mr. EWER. Yes.

Mr. UNTERMYER. Did you say you were loan clerk?

Mr. EWER. No, sir; I am cashier.

Mr. UNTERMYER. Is the loan clerk under your direction?

Mr. EWER. Yes.

Mr. UNTERMYER. What is the effect of high money rates on bringing money from these banks all over the country into New York—into Wall Street?

Mr. EWER. It results in an increase in the loans carried in New York by the out-of-town banks. It may bring money or it may not bring money.

Mr. UNTERMYER. What would be the effect of a usury law that would limit the amount that could be loaned—limit the rate of interest that could be charged on stock exchange loans as the rate is limited in many of the States on other loans?

Mr. EWER. I do not think it would affect materially the amount of out-of-town money loaned.

Mr. UNTERMYER. Let us see why it would not. You say the high rate attracts money to New York. You know that New York did have such a usury law and repealed it some years ago?

Mr. EWER. Yes; I so understand.

Mr. UNTERMYER. It prohibited stock exchange loans at over 6 per cent, just as it does now and always has prohibited other loans at over 6 per cent?

Mr. EWER. We never charge over 6 per cent, so that it makes no particular difference to us.

Mr. UNTERMYER. I was not speaking of you. Your bank and the City Bank confine yourselves to 6 per cent?

Mr. EWER. The Park Bank does. As to the City Bank, I do not know.

Mr. UNTERMYER. And your banks are the exception to the rule?

Mr. EWER. Yes.

Mr. UNTERMYER. The other banks take what they can get?

Mr. EWER. They take the market.

Mr. UNTERMYER. I think that is all.

The CHAIRMAN. On account of the death of a member of the family of the gentleman who was to be our next witness to-day the committee will stand at recess until to-morrow at 11 o'clock a. m.

At 1.15 o'clock p. m. the committee adjourned until to-morrow, Wednesday, December 18, 1912, at 11 o'clock a. m.

EXHIBIT 131, DECEMBER 17, 1912.

CALIFORNIA PETROLEUM CORPORATION (7 PER CENT CUMULATIVE PREFERRED STOCK PARTICIPATING AS TO DIVIDENDS AND COMMON STOCK).

SYNDICATE AGREEMENT DATED SEPTEMBER 21, 1912.

[William Salomon & Co., Hallgarten & Co., syndicate managers.]

An agreement dated the 21st day of September, 1912, between William Salomon & Co. and Hallgarten & Co., of New York, together hereinafter called the managers, parties of the first part, and the subscribers hereto, severally, parties of the second part, of whom each is hereinafter termed a subscriber, and all of whom, together with the managers, constitute the syndicate.

California Petroleum Corporation (hereinafter called the corporation) has been or is to be formed under the laws of the State of Virginia, or some other State with the approval of the managers, with an authorized capital stock of $35,000,000, consisting of $17,500,000 par value of 7 per cent cumulative preferred stock (participating as to dividends, and preferred as to assets on liquidation to its par value and accrued divi-

dends, and, in case of voluntary liquidation, with a premium of 20 per cent, at which premium also said stock will be redeemable) and $17,500,000 par value of common stock, divided into shares of $100 par value, and has issued or proposes presently to issue not to exceed $12,500,000 of said preferred and $15,000,000 of said common stock, the latter to be deposited under a five years' voting trust agreement under which E. L. Doheny, C. A. Canfield, and G. G. Henry are to be the voting trustees, all as more fully set forth in a letter dated September 20, 1912, from E. L. Doheny and C. A. Canfield, which is on file with the managers and copies of which have been sent to the subscribers. The parties hereto desire to form a syndicate on the terms and for the purposes hereinafter set forth.

In consideration of the premises and of the mutual promises herein contained, the parties hereto agree, and the subscribers severally agree with one another and with the managers, as follows, each subscriber and party agreeing for himself and not for any other subscriber or party:

First. The parties hereby form a syndicate for the purpose of purchasing from the parties of the first part and associates (hereinafter called the vendors), if, as and when received by the vendors, $5,000,000 par value of said preferred stock and voting trust certificates for $2,500,000 par value of said common stock at the price of $100, with accrued dividends upon the preferred stock, for each $100 par value of preferred stock and $50 par value of common stock, and for the other purposes herein expressed. Each subscriber shall indicate in his subscription hereto the principal amount in cash for which, together with the accrued dividends on a proportionate amount of the preferred stock, he is or shall be bound, and to the extent of his subscription, each subscriber will make cash payment on call of the managers for the purposes herein indicated, without reference to the receipt or possession by the managers of any of the stock. The several subscribers shall be called on to make payments of cash in respect of their subscriptions only ratably according to the several amounts thereof; but, to the full extent of his own undertaking, each subscriber shall be so responsible regardless of performance or nonperformance by any other subscriber. Each subscriber shall be liable only to the extent of his individual participation in the syndicate. Nothing contained in this agreement, or otherwise, shall constitute the subscribers partners with, or agents for, one another or with or for the managers.

Second. The managers shall have the sole direction and management and the entire conduct of the transactions and business of the syndicate. The subscribers irrevocably grant to the managers full power and authority, for account of the syndicate, to do any and all acts and to enter into and execute any and all agreements or other instruments necessary, proper, or expedient in the premises to carry out and perform this agreement according to its true intent and meaning, including the purchase from the vendors at the price and upon the terms aforesaid of said stocks, the purchase or repurchase of stock of said issues in the market or from others, from time to time, for account of the syndicate, and the public or private sale or resale from time to time, in the discretion of the managers, of any or all stocks acquired for syndicate account, and generally the conduct of such transactions as the managers in their discretion may deem best for the interests of the syndicate, provided, however, that the managers shall not have the right to sell said $5,000,000 of preferred and said $2,500,000 of common stock, or any part thereof, at less than 91½ per cent of the par value thereof and accrued dividends for preferred stock and 40 per cent of the par value thereof for common stock. For the purpose of paying for any of the stocks the managers may in their discretion borrow such amounts from time to time, at such rates of interest and on such terms as they may deem best, and pledge any of the syndicate stocks as security for any such advances; or the managers may themselves make such advances or any part thereof upon the like pledge and security, and may charge interest on such advances; but no personal liability, except in respect of such calls, either to the managers or to anyone making such advances, shall be incurred by or imposed upon the subscribers for the payment of any such advances. The subscribers irrevocably grant to the managers full power and authority, for account of the syndicate, to employ, and fix the compensation of, depositaries, brokers, attorneys, counsel, agents, and other assistants; and pleniary discretionary right is expressly given to the managers from time to time to consent to any modifications of and to settle the form and terms of the certificate of incorporation of the corporation and the certificates of said stocks (whether in respect to the provisions for the benefit or protection of the holders of said stocks, respectively or otherwise), the voting trust agreement, the name of the corporation and the State of incorporation, and any contract under which the corporation shall acquire the stocks of other companies, and notwithstanding the terms of said letter in respect to any or all said matters. The term stocks or preferred stocks whenever used in this agreement shall be deemed to include interim or temporary certificates therefor, and the term stocks or common stock wherever used in this agreement shall be deemed to include voting trust certificates for common stocks and interim or temporary certificates therefor. The

managers may, in their discretion, rectify any errors, reconcile any inconsistencies and supply any omissions in this agreement. The enumeration of particular or specific powers in this agreement shall not be construed to limit the general powers and discretion intended to be conferred upon and reserved to the managers in order fully to authorize them to do any and all things by them, in their discretion, deemed proper, necessary, or expedient to carry out the purposes of this agreement. The managers shall be under no responsibility for the performance by the corporation, or by any persons from whom the vendors may have arranged to procure the stocks, of any agreement on its or their part, nor in respect of the validity or from of any such agreement, nor in respect of their validity or form of the certificate of incorporation of the corporation, or said stock or the the certificates therefor, or the voting trust certificates for common stock, or the voting trust agreement, or any contract above mentioned; and neither of the firms constituting the managers shall be liable under any of the provisions of this agreement, nor in or for any matter or thing connected therewith, except for its own want of good faith or willful negligence as such firm; and no obligation not expressly assumed by them by this agreement shall be implied herefrom.

Third. For all payments made hereunder each subscriber shall receive stocks or a receipt or certificate signed by the managers, or on their behalf by one of the firms constituting the managers, in such form as the managers may determine. Any receipts or certificates issued by the managers, and all rights and obligations hereunder of the respective subscribers, may, in the discretion of the managers, be made transferable in such manner and on such terms and conditions as the managers may prescribe; but no transfer shall be valid unless assented to in writing by the managers, and they shall be under no obligation to give such assent; and, though such assent be given, unless otherwise therein expressly provided, the transferor shall continue liable for the payment of any unpaid part of the transferred subscription and for the payment of any advances made by the managers upon or in respect of the transferred subscription, with interest upon such advances as aforesaid, until the same shall be fully paid. The acceptance of any participation in the syndicate allotted by the managers or holding of a receipt or certificate issued as aforesaid shall render those to whom the managers shall grant such allotment, or in whose names they shall issue such receipt or certificate, liable as subscribers hereunder as fully to all intents and purposes as if they had duly signed this agreement. No subscriber shall be entitled to receive any of the stocks or the proceeds thereof until the termination of the syndicate. In the meantime, in their discretion, the managers may retain all or any of such stocks or proceeds or may deliver or pay to any subscriber his proportionate part thereof. Stocks so delivered to the subscribers shall, until the termination of the syndicate, be held by the subscribers, subject to the control of the managers, to be returned to them upon demand, or upon their order, for sale for syndicate account.

Fourth. Each subscriber hereby ratifies, assents to, and agrees to be bound by, any action of the managers taken under this agreement, and agrees promptly to perform his undertakings hereunder. The failure of any subscriber to perform any of his undertakings hereunder shall not affect or release any other subscriber. The managers may, in their discretion, at any time and either before or after partial payment, by written consent, release any subscriber from the whole or any part of the subscription of such subscriber, and may accept new subscribers, in place of any subscribers so released. In case the managers, or either of them, shall become subscribers hereto they may at any time, and either before or after partial payment, reduce their own obligations as such subscribers and accept new subscribers for the portion of their own obligations thereby released. In case of the failure of any subscriber to perform any of his undertakings hereunder, the managers may take or may allow other persons, firms, or corporations, members of the syndicate or otherwise, to take all or any part of the participation of the subscriber so failing to perform his undertakings. Upon the failure of any subscriber to perform any of his undertakings hereunder, the managers shall have the right, at their option and in their discretion, to exclude such subscriber from all existing and all further interest and participation in the syndicate, and thereupon all interest and right of such defaulting subscriber or his transferees shall cease and determine and the managers shall have the right in their discretion either to forfeit as liquidated damages any payments such subscriber may have theretofore made hereunder or to hold such subscriber liable for the balance of his subscription and to enforce such subscription and to recover from such subscriber all damages caused to the syndicate by the failure of such subscriber to perform. No liability or obligation whatever shall attach to the managers or any other subscriber because of the failure of any subscriber to perform any of his undertakings hereunder.

Fifth. Upon the complete performance of all his undertakings and the termination of the syndicate each subscriber shall be entitled to receive his ratable portion of the syndicate stocks or of the proceeds of so much thereof as may have been sold by the managers, less his pro rata share of the syndicate expenses. The net profits of the

syndicate shall be divided among the subscribers in proportion to their respective subscriptions, and the losses of the syndicate shall be borne by the subscribers in the like proportion. Apportionment and distribution by the managers of profits or losses, outlays, charges, and expenses shall be conclusive on the syndicate and the subscribers, as shall be the written statement of the managers of the results of the syndicate. The managers may be subscribers to the syndicate and, to the extent of such subscriptions, are to participate in the profits and losses of the syndicate pro rata to the same extent as other subscribers. The managers may purchase, or be interested in the purchase of, any of the stocks forming the subject of this agreement and may deal with the syndicate in the same manner as other persons. The managers may purchase, sell, or otherwise dispose of, or be interested in the purchase, sale, or other disposition of, any stocks or other securities of the corporation or its subsidiary companies without restriction and without responsibility therefor to the syndicate. The expenses heretofore or hereafter incurred by the managers and vendors in or about the incorporation of the corporation, its acquisition of the stocks of subsidiary companies, the investigation of their properties, titles, and business, or otherwise, including fees of counsel, appraisers, and accountants, stamp taxes, printing, brokerages, and commissions, shall be charged to, and paid by, the syndicate. The managers shall make no charge to the syndicate for their services as managers, but they and the other vendors shall be entitled to retain for their own benefit the difference in common stock and cash between the price to the syndicate and the price paid by the vendors.

Sixth. The syndicate shall continue until April 1, 1913, notwithstanding the prior sale by the managers of all or any of the syndicate stocks, unless sooner terminated by the managers in their discretion. The managers shall have the absolute right to terminate the syndicate if the corporation, or any persons from whom the vendors may have arranged to procure the stocks, shall be unable or fail to carry out, or shall be prevented from carrying out, the sale of the stocks, to the vendors, or, if in the judgment and discretion of the managers, the interests of the syndicate require its termination prior to the time in this agreement limited therefor, and whether or not the objects contemplated by this agreement shall have been wholly or partially performed.

Seventh. Nothing contained in this agreement shall be construed as creating any trust or obligation in favor of any person or corporation other than the parties hereto nor any obligation in their favor otherwise than as is herein axpressly provided. This agreement shall extend to and bind the successors and personal representatives of the respective parties.

Eighth. Books shall be kept by the managers, in the city of New York, in which books shall be recorded the addresses of such of the subscribers as shall furnish the same. Any notice to or call upon subscribers, or any of them under this agreement, shall be deemed to have been duly given and made by the managers if mailed to subscribers directed to the addresses so furnished by them. The managers shall be under no obligation to ascertain the address of any subscriber to whom notices or calls shall have been so directed, nor to see to the actual receipt thereof by subscribers, nor to ascertain the addresses of or give notice to any subscriber who shall not have so furnished his address. All notices and calls shall be signed by the managers jointly, or by one of the firms constituting the managers, with the approval of the other, on behalf of both.

Ninth. Each of the firms constituting the managers acts as a copartnership, and in case of any change in either of said firms, such firm or its successor firm, as from time to time constituted, shall continue with all the powers, rights, and title vested in such firm hereunder without further act or assignment.

Tenth. Duplicate originals of this agreement shall be signed by both of the firms constituting the managers and one retained by each. Counterparts may be signed by subscribers and retained by the managers, and all shall be taken and deemed one original instrument.

Eleventh. In consideration of the irrevocable rights in them vested hereunder and the promises of the several subscribers, and upon the terms and conditions herein contained, the managers have become parties to, and in good faith will endeavor to consummate the purposes of, this agreement.

Twelfth. This agreement is entered into under and shall be construed in accordance with the laws of the State of New York.

In witness whereof, William Salomon & Co. and Hallgarten & Co. have each subscribed duplicate originals hereof, and the subscribers have subscribed said originals or counterparts thereof, as of the day and year first above written.

LEWISOHN BROTHERS,
11 Broadway, New York City.
E. C. WESTERVELT, *Attorney.*

Subscription: $230,000 cash and accrued dividend.

EXHIBIT 132, DECEMBER 17, 1912.

[William Salomon & Co., 25 Broad Street New York. Hallgarten & Co., 5 Nassau Street, New York.]

CALIFORNIA PETROLEUM CORPORATION STOCK SYNDICATE.

SEPTEMBER 12, 1912.

Confidential.]

Messrs. LEWISOHN BROS.,
New York, N. Y.

DEAR SIR: We are forming a syndicate of which we shall be managers, and in which we shall participate, to purchase from us $5,000,000 par value, preferred stock of the California Petroleum Corporation, and $2,500,000, par value, common stock voting trust certificates, for the sum of $5,000,000 cash and accrued dividend on the preferred stock.

We have reserved for you a participation in this syndicate of $230,000 cash and accrued dividend, representing the equivalent of the purchase price by the syndicate of $230,000 par value preferred stock and $115,000 par value, common stock.

The syndicate is to continue until April 1, 1913, unless sooner terminated by us in our discretion. We shall make no charge to the syndicate for our services as managers, but shall be entitled to retain for our own benefit the difference in common stock and cash between the price to the syndicate and the price paid by us. We have arranged for the formation of other syndicates in London and Paris to purchase further amounts of the preferred and common stocks from us on the same terms.

Both the preferred and common stocks are to remain syndicated for sale under our management, the preferred stock not to be sold at less than 91½ and accrued dividend, nor the common stock at less than 40.

We hand you herewith copy of a letter which we have received under date of September 20, 1912, from Messrs. E. L. Doheny and C. A. Canfield, describing the California Petroleum Corporation to be organized and its stocks, with certain other data, and also a letter from Dr. Ralph Arnold, dated August 13, 1912, concerning the same. We are further sending you, under separate cover, a complete copy of Dr. Arnold's report to us upon the controlled properties, together with maps and photographs.

The accounts of the controlled properties were audited for us by Messrs. Price, Waterhouse & Co., chartered accountants. All legal matters in connection with the new corporation are under the supervision of our counsel, Messrs. Cravath, Henderson & De Gersdorff, for whom the titles to the proven properties have been passed upon by H. W. O'Melveny, Esq., of Messrs. O'Melveny, Stevens & Millinken, of Los Angeles, Cal.

Please advise us promptly if you desire to accept this participation and in due course we will send you formal confirmation, together with copies of the syndicate agreement for your signature and files.

Yours, truly,

WILLIAM SALOMON & CO.,
HALLGARTEN & CO.,
Syndicate Managers.

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UNITED STATES
HOUSE OF
REPRESENTATIVES

MONEY TRUST
INVESTIGATION
1-15